Daily Report

East Europe

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Daily Report
EAST EUROPE

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CONTENTS

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ALBANIA

Albanian-Turkish Air-Sea Joint Exercise Begins *[Tirana TV]* 1

BULGARIA

Popov Announces Program To Replace Navy Vessels *[TRUD 31 May]* 2

CZECH REPUBLIC

Dyba Signs Agreement on EU Integration *[DENNI TELEGRAF 2 Jun]* 3
Zieleniec Views Trade Promotion, Policy *[EKONOM 1-7 Jun]* 3
International Brain-Drain Conference Opens *[LIDOVE NOVINY 6 Jun]* 5
Participants Comment *[LIDOVE NOVINY 6 Jun]* 6

SLOVAKIA

Official Confirms Privatization Plans *[SME 31 May]* 7
Ducky Submits Blocking Bill *[SME 5 Jun]* 7
Cabinet Retains Tariff, Proposes Financial Laws *[PRAVDA 7 Jun]* 8
Draft Currency Law Detailed *[SLOVENSKA REPUBLIKA 7 Jun]* 8
DU, Entrepreneurs Union Agree To Cooperate *[PRAVDA 7 Jun]* 9
Church Defends President in Meciar Attacks *[NARODNA OBRODA 5 Jun]* 9
Poll Seen as Confirmation of Antigovernment Trend *[SME 2 Jun]* 10
Power Company Faces 'Financial Collapse' *[PRAVDA 2 Jun]* 11

HUNGARY

Horn in Agreement With Butrus-Ghali on Bosnia *[Budapest Radio]* 12
Kuncze on Black Market, Privatization Probes *[TALLOZO 20 Apr]* 12
Economic Differences of Eastern, Western Regions *[MAGYAR HIRLAP 8 Jun]* 14
Suzuki Chairman on Company's Hungarian Investment *[HETI VILAGGAZDASAG 22 Apr]* 15
Financial Affairs of Political Parties Reported *[HETI VILAGGAZDASAG 6 May]* 17

BOSNIA-HERZEGOVINA

Pilot Rescue: 'Exploit With Political Connotation' *[Paris LE FIGARO 9 Jun]* 20
Russia's Kozyrev Gives Views on UN Mandate *[PRESS ASSOCIATION]* 20
Silajdzic Addresses House on Lifting Arms Embargo *[Sarajevo Radio]* 21

Concern Expressed About Situation in Srebrenica 21
Authorities 'Doing Everything' *[Sarajevo Radio]* 21
Yugoslav Army Flights *[Sarajevo Radio]* 21
Lemes Satisfied With Army Reorganization *[VECERNJE NOVINE 5 Jun]* 21
Filipovic: Dangerous Situation for UN Troops *[AFP]* 22
SDA Condemns 'Shameful' UNPROFOR Behavior *[Sarajevo Radio]* 23
SDP Views Security, Reaction Force Prospects *[Sarajevo Radio]* 23
Daily: Russian Stand Toward Rapid Reaction Force *[Paris LE FIGARO 6 Jun]* 24
Federal Partners Disagree on Customs Charges *[BORBA 17 Apr]* 24
HVO Commander Views Situation Along Corridor *[VECERNJI LIST 6 Jun]* 25
Bosnian Croat General on Successes in West *[Sarajevo Radio]* 26
Croat General: Southwest 'Offensive' To Continue *[AFP]* 27
Croat Houses Confiscated for Muslim Refugees *[Mostar Radio]* 27
Toholj Denounces U.S. Decision on Arms Embargo *[SRNA]* 27
Koljevic: NATO Has Exceeded Its Framework *[GLAS SRPSKI 6 Jun]* 28
Contacts With 'Democratically Oriented' Serbs *[Sarajevo Radio]* 28

CROATIA

Commentary on Croat Alternatives to Reintegration *[SLOBODNA DALMACIJA 3 Jun]* 30
Arms Fair Showcases Domestic Military Equipment *[VJESNIK 1 Jun]* 30
Development, Purchase of Missile Systems *[VJESNIK 3 Jun]* 31
Martic Demands Transport of Goods via FRY *[Knin Radio]* 32
RSK Government Views Refugees, Defense *[POLITIKA 5 Jun]* 32
'Conflicts' in RSK Politics Examined *[VREME 22 May]* 33
RSK Army Commander on Croatian Army Actions *[Knin Radio]* 36
Commentary: Little Chance of Serb Unification *[VJESNIK 25 May]* 36
Commentary Condemns Bosnian Serb 'Terrorism' *[VJESNIK 31 May]* 37

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

CE Official Views Minorities, Greece *[MIC]* 38
Article Views Coming Negotiations With Greece *[NOVA MAKEDONIJA 8 Jun]* 38
NDP's Radical Albanian Leaning Examined *[NOVA MAKEDONIJA 3 Jun]* 39
Assembly Adopts Law on Military Academy *[MIC]* 41
PDP Submits Interpellation on Television Head *[MIC]* 41

POLAND

Prime Minister Oleksy Addresses Sejm *[Warsaw Radio]* 42
Krzaklewski Reelected Solidarity Chairman *[Warsaw Radio]* 49
Poll Shows Higher Approval for Sejm, Senate *[NOWA EUROPA 9 Jun]* 49
Personnel Changes in Armed Forces Rumored *[ZYCIE WARSZAWY 8 Jun]* 50
Draft Constitution Dated 12 Apr 1995 *[TRYBUNA 2-3 May]* 50
Reasons To Support Poland in Weimar Triangle *[TYGODNIK POWSZECHNY 21 May]* 56

ROMANIA

Reports on Illegal Dealings of Top Officials *[Editorial Report]* 59
Roman Discusses NATO Stance on Central Europe *[AZI 31 May]* 60
Halanga Plant Ships Heavy Water to Cernavoda *[COTIDIANUL 6 Jun]* 61
Parliament Defense Commissions Criticize CSAT *[EVENIMENTUL ZILEI 1 Jun]* 61
Ethnic Party Calls for End to 'Hatred' Campaign *[Budapest Radio]* 61
Taxes for Farming Products Effective 1 Jul *[ADEVARUL 7 Jun]* 61
SNCFR Orders Trains To Stop in Arad *[Bucharest Radio]* 61

SLOVENIA

Thaler Asks U.S. To Oppose Yugoslav Recognition *[TANJUG]* 62
Kacin on Future Ruehe Visit, Arms Embargo *[Ljubljana Radio]* 62
Italian 'Doubts' Cause Delay of EU Agreement *[Ljubljana Radio]* 62

YUGOSLAVIA

Federal

Communists Oppose Force in Settling Crisis *[Belgrade Radio]* 63
JUL Spokesman on Party's Goals, Membership *[BORBA 17 Apr]* 63
Statistics Bureau Notes Increased Consumer Costs *[TANJUG]* 64

Serbia

Firms Produce 'Vital' Goods During Blockade *[TANJUG]* 64
AFP Profiles State Security's Jovica Stanisic *[AFP]* 65
Possibility of Bosnian Serb Defeat Discussed *[DNEVNIK 28 May]* 65
Article Claims Croatia Plans Baranja Attack *[POLITIKA EKXPRES 7 Jun]* 66
Russian-American-Serbian Bank Examined *[BORBA 17 Apr]* 67
Charges Brought Against Speculators *[POLITIKA 16 Apr]* 68
Firms Roll Back Prices *[POLITIKA 15 Apr]* 68

Kosovo

Ex-Security Men Sentenced for Separatism *[TANJUG]* 69
Lawyers Contend Trial 'Staged' *[Editorial Report]* 69

Albanian-Turkish Air-Sea Joint Exercise Begins

AU0806130195 Tirana TVSH Television Network in Albanian 1800 GMT 7 Jun 95

[FBIS Translated Text] An Albanian-Turkish air-sea joint exercise code-named Marex '95 started today.

In the process of raising the professional training level, our army today started another Albanian-Turkish air-sea joint exercise code-named Marex '95. A Turkish frigate arrived at Durres port to participate in the training. The frigate's crew will help to develop various training elements of a humanitarian character.

Apart from determining and detailing the tasks programed earlier in a briefing, General Sheme Kosova, chief of Army General Staff, received Turkish guests yesterday, stressing that the good relations between the two armies are cemented with such joint exercises.

The first training sessions began in the port and on board the ships today. Meanwhile, it should be stressed that, in order to achieve the best cooperation between the air and naval forces, some elements of this exercise are accompanied by professional-level training demonstrations during the joint air-naval exercise, which is continuing.

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Popov Announces Program To Replace Navy Vessels

AU0906082695 Sofia TRUD in Bulgarian 31 May 95 p 5

[Report by Vasil Lyutskanov]

[FBIS Translated Text] Within two weeks, the Ministries of Defense and Industry will sign an agreement on launching a shipbuilding program aimed at replacing the Bulgarian Navy's vessels by the year 2010. TRUD was informed of this by Rear Admiral Iliya Popov, deputy chief of the General Staff.

The program envisions the construction of multipurpose vessels of between 800 and 1,000 metric tons, which will be fitted out with imported equipment designed on modular principles. Popov said that, after four years, the General Staff's Military Council had approved the program.

The Council of Ministers will finance the program. The specialists who worked on drafting the program calculate that $80-100 million will be needed to carry it out. The Bulgarian Navy will be engaged in fulfilling the program, including the Fleet Arsenal Repair Yard, the shipbuilding yards in Varna, Ruse, and Burgas, the Black Sea AD special optical and electronics plant, and certain other factories in the military-industrial complex.

Navy Commander Vice Admiral Khristo Kontrov stated two months ago that the Navy needs 11 billion leva to repair and maintain its ships and shore installations; he explained that 80 percent of our fighting ships have an average age of 25 years, whereas the normal service life is 10 years. Kontrov said on that occasion that unless urgent measures are taken, by the year 2000 we will be left with three medium-sized and six smaller vessels. At the moment, the Navy possesses one frigate, six corvettes, eight minesweepers, 12 small minelaying craft, six missile-equipped launches, one missile corvette, and two submarines, one of which is out of commission.

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Dyba Signs Agreement on EU Integration

AU0906082495 Prague DENNI TELEGRAF in Czech 2 Jun 95 p 2

[Article by Pavel Snajdr: "300 Million Korunas From the Economic Reconstruction Aid for Poland and Hungary Program for the Czech Republic's Integration Into the EU"]

[FBIS Translated Text] Economy Minister Karel Dyba and Leopold Giunti, the European Commission's ambassador in Prague, have signed an agreement on support for the Czech Republic's integration into the European Union. The program's budget amounts to 300 million korunas [Kc] (9 million ECU's) and should be completed at the end of 1997. It will be administered by the Economy Ministry's Center for Foreign Assistance.

The program consists of three main parts. The first part, which represents the largest share of the money—Kc170 million—is oriented, first and foremost, toward the European Agreement and its implementation by means of education, training, administration, and translating EU documents. Training programs for civil servants and other persons whose work is associated with implementing the European Agreement and harmonizing the norms of the Czech Republic and the EU belong here. Part of it will consist of seminars intended to increase the exchange of information between the Czech Republic and the EU member countries. On the basis of this part of the agreement, computer equipment and software that should help to improve the information exchange within the Czech Republic will also be supplied.

The second part, with a budget of Kc34 million, is intended for public administration. It should assist public administration activity and help to create effective public administration bodies. It will be carried out by a form of strategic studies and by implementing the laws relating to civil servants and the efficiency of their work. A School for Public Administration, which will provide training for civil servants with the aim of improving the efficiency of public administration, will also be established within this part of the agreement. The third and final part, amounting to Kc96 million, is intended for the Center for Foreign Assistance as the administrator of the whole program. It concerns the administration and supervision of the assistance provided. It will help to obtain statistics and compile norms, guarantee financial support for the Czech participants in the EU's programs, and provide a technical background for reviewing these programs.

Zieleniec Views Trade Promotion, Policy

AU0906114595 Prague EKONOM in Czech 1-7 Jun 95 No 22, pp 15-17

[Interview with Foreign Minister Josef Zieleniec by Libuse Bautzova; place and date not given: "Diplomacy and Foreign Trade or No Revolution"]

[FBIS Translated Excerpt] [Bautzova] Mr. Minister, you recently visited Venezuela, Colombia, and Mexico. Why did you choose these particular countries?

[Zieleniec] Latin America is a traditional partner for us; the roots of this partnership go back to the 1920's and 1930's. At that time, following the collapse of Austria-Hungary, our republic was a territory with a huge industrial capacity for which there was no domestic market. Exports and foreign trade in general became the means of a functioning economy for Czechoslovakia and Latin America was one of the natural areas for their expansion. The tradition, in this or that form, was even maintained under communism. The well-known trademarks from the First Republic were still well known in this region at that time. It is now vitally important for us to find ways of following up on these traditions to ensure that we do not have to reestablish the ties of confidence that are so crucial in foreign trade. This mission, of course, was not the first visit by Czech representatives to Latin America; the prime minister, for example, has already been there twice. This year, we chose Venezuela, Colombia, and Mexico mainly for two reasons. On the one hand, in a certain way this visit supplements the previous ones and, on the other, these three countries make up a newly established trading organization—the so-called G3 group—where a very distinct attempt is being made to create advantageous political conditions for free trade.

[Bautzova] These three countries are very different from each other; at the moment, however, all of them are wrestling with certain economic or political problems that they have to try and resolve, first and foremost, on their own. Do you think that now is a good time for a trade mission to this region?

[Zieleniec] I think that most of the problems that Venezuela, Colombia, and Mexico are wrestling with have the characteristics of short-term economic or political swings. It is important for a businessman to agree on something specific, but our state naturally operates in terms of years and builds up its position and, from this point of view, long-term trends are more important for it than short-term swings. For instance, look at Mexico: Just a few months ago this was a country that was being described openly and everywhere as a miracle and as an example for the whole of the

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developing world. It has made some mistakes, but I am convinced that, in a couple of months, Mexico will again be where it was, because its economy is established on healthy foundations. For us, it is important, from a state policy point of view, to create an atmosphere of cooperation and interest and to maintain what in business is called a trademark. I want to emphasize that not only enterprises have trademarks, a state also has them.

[Bautzova] Does this mean that, in relation to the countries of Latin America—but, perhaps, also to a number of other states—economic issues are more important for us than political ones?

[Zieleniec] If we disregard neighboring countries, the powers, and, in connection with our integration into the EU, its member countries, then trade is, without a doubt, the focal point of the Czech Republic's foreign political activity. We are a state that in fact survives on international mercantile exchange, a state that, to a certain extent, bases its political sovereignty on the diversification of its commercial contacts.

[Bautzova] During your visit, you, among other things, discussed certain major business contracts for Czech enterprises. This is, ultimately, quite normal for all of the world's top politicians during their visits abroad. In your opinion, to what extent should, or may the representative of a state administration—for example, a minister—"do battle" abroad for the interests of private businessmen?

[Zieleniec] Success on foreign markets is the success of specific enterprises; for this reason, the state's interest and private interest must not be pitted against each other. It is, however, necessary to differentiate exactly what the role of the state and its representatives is and what has to be private activity. Therefore, it is inconceivable for a state or state official to be a negotiator of specific contracts between private enterprises. The state has an important role in the foreign trade sphere, whether this involves the aforementioned political support or providing information. On the other hand, however, we have to discount the activities that the trading companies or the enterprises themselves should address. If we were not to do this, then, on the one hand, we would be constituting part of our economy completely differently than everyone else and, on the other, we would be paving a way straight into the state administration for conflicts of interest and would be bringing disorder into it.

[Bautzova] Your foreign trip in April was not the first event to which you have invited representatives from the business sphere. This activity comes under your ministry's attempt to "bring the economy into diplomacy"....

[Zieleniec] I would definitely not put it like that. Some tasks are natural for us and we simply do them. We try to do them better and better. In every sphere, everyone tries to do things better than before. But, this is definitely not a revolution. Such has been the Foreign Ministry's policy since I entered office.

[Bautzova] Nevertheless, throughout this period, jurisdiction between the Foreign Ministry and the Trade and Industry Ministry has not even been clarified as far as foreign trade issues are concerned....

[Zieleniec] The problem you are referring to is associated with the necessary development that had to take place. I would like to explain one thing: Maintaining the foreign service's homogeneity is incredibly important for the state's diplomacy. The Czech Republic has, of course, a number of varied interests abroad—trade, economic, and ordinary political interests that are associated with the state's security, promoting our culture, and activities in the education sphere. Naturally, each of these spheres has an appropriate state administration body in the republic where it belongs jurisdictionally. So, theoretically, it would be possible to view a representative office as a collection of officials from the individual ministries—industry, education, culture, defense, and so on. But, if we were to proceed in this way—and, of course, no state does—then we would be leaving the promulgation of our interests abroad "to chance." [passage omitted] A key requirement for defending the interests of the republic and its citizens is a homogeneous foreign service.

[Bautzova] This, of course, places great demands on cooperation.

[Zieleniec] A well-functioning system envisages cooperation, on the one hand, between the representative offices and the Foreign Ministry, where interests are concentrated, and, on the other, among the different state administration bodies. Establishing a homogeneous foreign service and, at the same time, resolving satisfactorily jurisdiction within the country, the individual information flows, and other matters is a demanding task that we are all simply learning. We could not learn it earlier, because the conditions were, especially in trade, radically different; now all of the cooperating bodies have to adapt themselves to the new situation. This, of course, will still take some time. But, when I look are where we begun and where we are now, I see obvious progress in the functioning of the system. The fact that the new concept for the foreign service has affected many interests that are sometimes in conflict with the state's interest is another matter. [passage omitted]

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[Bautzova] A new department for bilateral economic relations, the so-called ODEV [expansion unknown], was established within your ministry last year. This should administer de facto the activity of the trade and economic departments in the representative offices, especially their role as information providers for the Czech business sphere. Thus, the Foreign Ministry is responsible for the flow of information not only to the Czech Republic, but also for its dissemination to the places where it will be useful.

[Zieleniec] First, I would like to emphasize that a businessman must take care of his own information himself; that is the stuff of his activity. The task of the ministry is to gather the kind of information that is collected via the representative offices—for example, information on tenders that are offered in the given country, sometimes also inside information that a diplomat learns in the state offices of the given country, an so on. The ministry gathers this kind of information and should distribute it at home—first and foremost, of course, to state administration bodies such as the Trade and Industry Ministry [MPO], but also to businessmen. The system may operate in such a way that businessmen get the information via the MPO or professional organizations such as the Union of Industry and Transportation, chambers of commerce, and so on. I have to say that we have been trying for some time to operate in this direction. We have signed an agreement with the Union of Industry where these things are prepared in advance. But, again I have to say that everything requires, on the one hand, experience and, on the other, corresponding cooperation from the other side—at the moment, the functioning of some professional organizations is rather imperfect internally and they are incapable of guaranteeing the corresponding means of cooperation with state administration bodies.

[Bautzova] There is talk about a new concept that your ministry has drafted and on whose basis the economic and trade officials in our representative offices should now, as opposed to the past, attend rather more to microeconomic issues. Until now, emphasis has been placed more on the fact that the Vienna Convention prohibits specific opportunities from being ascertained for our enterprises.

[Zieleniec] Conceptual material is material that is prepared regularly in each section of the ministry. The third document of this kind since I came into office is already being prepared at the ministry. You are talking about one concept, but I already see three in a row that, logically, follow up on each other. There has been a staff change in the senior position in the ministry's Economic Section, and each new person brings a new personal style with him. Perhaps, therefore, the situation is perceived like this. The fact is, of course, that the ministry's strategic objective has been clear for some time now and nothing much in it is being altered. Our objective is to promote the Czech Republic abroad as an important trading partner and to create the very best conditions for our entrepreneurial sphere. [passage omitted] It still holds true that diplomats simply must not do many things—they must not represent our firms, they must not act as intermediaries in business transactions, they must not take any commission, and so on. What you are calling a new concept is not a new system that should begin to operate, but is a system that operates. It certainly does not operate the way we would like it to and an improvement is needed; but in no way does this involve a revolution.

[Bautzova] How has your ministry, composed principally of territorial departments, come to terms with the establishment of a new unit dealing with the economy? Is the new concept not coming up against obstacles within the institution itself?

[Zieleniec] [passage omitted] I would like to emphasize that this department is no longer a novelty—it has been operating for more than a year. Of course, not everyone is well disposed toward it, because it represents a style completely different from the one in vogue at the ministry for decades. The ministry has been altered to a certain extent, but a certain institutional routine is very inertial—this is not the specialty of my ministry alone. It takes time for things to settle and this period is perhaps longer than we had anticipated in 1989. This applies to the ministries and to the state as a whole.

International Brain-Drain Conference Opens

AU0906113095 Prague LIDOVE NOVINY in Czech 6 Jun 95 p 11

[Article by "am": "Eastern Europe Loses Scientists"]

[FBIS Translated Text] Prague—Yesterday, Chamber of Deputies Chairman Milan Uhde opened a parliamentary conference on scientific and technical cooperation with the East and Central European countries, organized by the European Committee in Prague. The main topic of the conference will be the danger of a "brain drain" from these transitional countries.

According to Milan Uhde, at least in the instance of the Czech scientists, the main reason for leaving is not the promise of a better income but rather the atmosphere at the workplace full of resentment and malice, where the average, or even the below average are in charge. There are no precise figures available but the director of the Department for Science, Technology, and Industry at

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the OECD, Jean-Eric Aubert, gave an estimate of 20,000 people excluding the countries of the former USSR.

The conference continues until 7 June.

Participants Comment

AU0906113395 Prague LIDOVE NOVINY in Czech 6 Jun 95 p 11

[Article by Ludwig Urban and Michal Achremenko: "Brain Drain Not Only Because of Money"]

[FBIS Translated Text] The experts know that there is a "brain drain" from our country, but they believe that if the transformation is successfully completed, many of these "brains" will return. A similar brain drain that took place from some Asian countries was referred to at the international conference on the problem of the brain drain from the East and Central European countries to the economically advanced countries, which ended in Prague yesterday.

Latvia, for instance, saw not only the departure of scientists but also of talented university students, so the average age of a research scientist went up to 55 years in that country. The head of the UNESCO Education Section, Marco Dias added, however, that the West is not such a benefactor as to return these lost investments to the originating country.

Ivan Pilip, chairman of the Christian Democratic Party and minister of education, claims, however, that the situation of the Czech Republic is not so serious. "It is certainly not a solution to triple the scientists' income. Moreover, we have to realize that the brains are also coming to us—from Slovakia, for instance," Pilip said.

Sir Anthony Epstein, virologist and fellow of the British National Academy of Science, who was the main speaker on the topic, added for LIDOVE NOVINY some details to his contribution.

He considers the situation in Poland, the Czech Republic, and Hungary on the whole stabilized, albeit not ideal. Referring to money, he does not mean just the income of the scientists. It is, above all, the shortage of funds to finance research, to purchase equipment and literature, not to speak of funds for exploratory expeditions or preserving samples. The funds for the necessary international contacts are also lacking.

Another problem, Sir Anthony Epstein detects, is that science in the former socialist countries has been affected by an "overemployment," and its nomenklatura top brass lived in a world full of privileges. They lost these privileges after the collapse of the political system.

Most affected are the scientists from the former USSR, who, according to him, live on the verge of poverty. At the same time, the accomplishments of their mathematicians have been acknowledged around the world. They are now, rather understandably, becoming an easy "prey" for Western universities, and institutions.

According to Ioan Mihailescu, president of the Bucharest University, however, many of the scientists do not have the command of a foreign language and often end up at railroad stations.

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Official Confirms Privatization Plans

AU0906081595 Bratislava SME in Slovak 31 May 95 p 2

[CTK report: "Privatization Ministry Spokesman Confirmed Transportation Ministry's Privatization Plans"]

[FBIS Translated Text] Bratislava—Karol Stetina, spokesman for the Slovak Ministry of Privatization, confirmed that the privatization of some important companies, to which Roman Hofbauer, chairman of the National Council of the Slovak Republic Privatization Committee, drew attention in a letter to Prime Minister Vladimir Meciar, was under way. In his letter, Hofbauer charged that this privatization was corrupt.

Stetina confirmed the intentions to privatize telecommunications, railroads, and transport networks, including highways and bus transport. On the other hand, he has not been informed about the endeavor of Transportation Minister Alexander Rezes to privatize seagoing ship harbors, the broad-gauge railroad, reloading depots, and the postal service. "The privatization of telecommunications is even welcome, just as the privatization of highways or transport networks. Regarding the railroads, they are now undergoing transformation and will be privatized." As far as the Slovenske Telekomunikacie [Slovak Telecommunications] state enterprise is concerned, talks are being held with the World Bank and the European Bank for Reconstruction and Development, according to Stetina. According to the spokesman, on 29 May Privatization Minister Bisak held talks with a World Bank representative about the privatization of this lucrative company. "Telecommunications and highways are currently the largest projects that Slovakia offers," he said. In this context, he did not rule out that specific talks with a U.S. firm may have taken place at the level of state secretary or the Ministry of Transportation. (In his letter, Hofbauer drew Meciar's attention to talks with an unnamed U.S. firm about the sale of a stake in the telecommunications, which had supposedly been started by the VUB [General Credit Bank], the largest Slovak commercial bank, in New York.) According to Stetina, talks with a specific potential investor are mostly started by the Ministry of Transportation and only later is the project submitted to the Ministry of Privatization for approval. "The Ministry of Transportation can select certain interested parties and only then does the project come to us," Stetina observed. Asked directly whether he could confirm the Transportation Ministry's intentions as depicted in Deputy Hofbauer's letter, Stetina avoided a reply. "The way things are running, this privatization will go ahead," believes the spokesman, in whose opinion this process can no longer be halted. "But I would rather not comment on the letter because I did not read it," Stetina claimed paradoxically.

Ducky Submits Blocking Bill

AU0906082095 Bratislava SME in Slovak 5 Jun 95 p 2

[Article by "alg": "Privatization Plans of the Ministry of Transportation Run Counter to State Interests"]

[FBIS Translated Text] The draft of a National Council of the Slovak Republic [NRSR] law on guaranteeing state interests in the privatization of strategically important state and shareholding companies was delivered to the Slovak Government Office on 29 May 1995. The bill was drafted by the Slovak Ministry of Economy and submitted by Minister Jan Ducky. As transpires from an explanatory statement, the draft follows up on the previously submitted, and approved, "Analysis of Procedure in Taking Stock of, and Privatizing, State Property." The first version of the draft, which contained recommendations for the sphere of energy, the gas industry, and oil processing, was discussed at a meeting of economic ministers on 7 April. The meeting recommended that the draft be expanded to include additional companies to be exempted from privatization. In Article 1a, the new draft proposes to enumerate strategically important state companies to be exempted from privatization. These include Slovensky Plynarensky Priemysel [Slovak Gas Industry] Bratislava, all three electricity distribution companies (Bratislava, Banska Bystrica, Kosice), Slovenska Posta [Slovak Postal Service] Bratislava, Slovenske Telekomunikacie [Slovak Telecommunications] Bratislava, ZTS [Heavy Engineering Works] Dubnica nad Vahom, ZTS TEES Martin, ZVS [General Engineering Works] Dubnica nad Vahom, Konstrukta-Defence Trencin, Konstrukta-Industry Trencin, and Statna Mincovna [State Mint] Kremnica. The railroad track of the Slovak Railroads and the shares of Transpetrol Bratislava and Slovenske Elektrarne [Slovak Power Company] Bratislava that are held or owned by the National Property Fund [FNM] of the Slovak Republic must not become subject to privatization either. Article 1b, proposes to amend conditions for the privatization of strategically important shareholding companies in which the FNM of the Slovak Republic or the state hold a stake. These include, for example, Nafta Gbely, Hornonitrianske Bane [Upper Nitra Valley Mines] Prievidza, Dolina Mine Velky Krtis, VSZ [East Slovak Iron Works] Kosice, SNP [Slovak National Uprising] Works Ziar nad Hronom, Slovnaft, Benzinol, Danubiaprint, and Slovenska Plavba Dunajska [Slovak Danube Shipping Lines]. If previously issued decisions on the privatization of the above companies provide for the inclusion of a part or all of their property in a

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shareholding company and, at the same time, for permanent or temporary state (including FNM) participation in their property, the execution of shareholder's rights and duties is transferred to the central body of state administration that was the company's founder.

A number of companies included in the above list of strategic companies are mentioned in Movement for a Democratic Slovakia Deputy Roman Hofbauer's letter to Prime Minister Vladimir Meciar that accused Alexander Rezes, minister of transportation, postal service, and telecommunications, of corrupt privatization. This concerns the privatization of railroads, including the broad-gauge railroad and reloading depots, the postal service, Slovenska Plavba Dunajska, including harbors and plots, as well as Slovenske Telekomunikacie. The existence of privatization plans in this area has been confirmed by Privatization Ministry Spokesman Karol Stetina.

Cabinet Retains Tariff, Proposes Financial Laws

AU0906102595 Bratislava PRAVDA in Slovak 7 Jun 95 pp 1-2

[Article by Rado Stevcik: "Import Surcharge Remains in Place, for the Time Being"]

[FBIS Translated Excerpt] Bratislava—The 10-percent import surcharge on food and consumer goods is to be retained until the end of the year. As transpires further from the report for the World Trade Organization (WTO) that the government approved yesterday, the import surcharge should be lowered to 7.5 percent next year. According to the report, the surcharge applies to imports from all countries, including countries with which Slovakia has concluded agreements on free trade zones and the Czech Republic.

Representatives of the Ministry of Economy will have to justify the extension of the validity of the import surcharge before the WTO Committee for Payment Balances later this month. The Ministry of Economy spokesman justified the [continued] application of the import surcharge by the need to protect the balance of payments and by the low level of customs protection of the Slovak economy.

Meciar's cabinet also approved a draft amendment to the Law on Investment Companies and Investment Funds because (according to the communique from the meeting) the practical implementation of this law and the result of inspections carried out by state supervisory bodies in investment companies and investment funds demonstrated the need to further specify and complement the law's provisions in order to bring the law into conformity with laws regulating relations on the capital market.

The government did not recommend the approval of the draft amendment to the so-called large-scale privatization law submitted by Deputies M. Pacola (Association of Workers of Slovakia), R. Hofbauer (Movement for a Democratic Slovakia), and K. Hatapka (Slovak National Party), because it considers partial changes and amendments to the law unsubstantiated. According to the communique, the pertinent ministry is working on a comprehensive amendment to the law.

The government did, on the other hand, approve the draft amendment to the Law on Securities. Under the amendment, securities must have the form of a legal document. [passage omitted] Records existing only in computer memory and the provision of information to security holders by means of mere statements will no longer be admissible. The amendment also regulates anew some conditions governing the activity of securities dealers, brokers, public market organizers, and the Securities Registration Center. The changes are aimed at enhancing ord[illegible]nd transparency. [passage omitted]

The governmen[illegible]ommended to parliament for discussion the draft principles of a new currency law, under which all citizens will be able to use their koruna accounts to transfer abroad payments for goods and services. Government spokesman Tomas Hasala said that this should be a step toward the full convertibility of the Slovak koruna. [passage omitted]

The government yesterday appointed Movement for a Democratic Slovakia Deputy Stanislav Husar as state secretary at the Ministry of Privatization. According to the government spokesman, Husar is to perform both posts simultaneously until 30 June. "The situation will be dealt with after that date," Tomas Hasala said.

Draft Currency Law Detailed

AU0906102895 Bratislava SLOVENSKA REPUBLIKA in Slovak 7 Jun 95 p 5

[Report "prepared by" Stanislav Tomanek and Andrea Hinkova on the "draft principles" of a new currency law discussed at the 6 June meeting of the Slovak Government: "Natural and Legal Persons Put on Equal Footing"]

[FBIS Translated Text] The principle of the internal convertibility of the Slovak koruna, based on the right of domestic entities to purchase foreign exchange to defray their liabilities toward foreign partners, has not undergone any major changes since its introduction in 1991, except for 1992 when self-employed citizens acquired the status of legal persons.

The currency regime applied since the introduction of internal convertibility has been marked by a number of

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rather fundamental restrictions in the spheres of both the current and capital accounts.

Structure of the Currency Regime

The basic philosophy of the new currency law dwells in the declaration of a liberal currency regime, and retains the possibility of regulating the currency regime, should the need arise, by means of lower-level legal norms.

The currency law will permit, within the framework of its structure, the gradual liberalization of the capital account by authorizing the currency bodies (National Bank of Slovakia, Slovak Ministry of Finance) to take such steps without necessarily amending the law. The law will pertain to only those currency relations that will be temporarily regulated or, as the case may be, that establish obligations. Compared with existing legislation, the new currency law will put all residents, be they natural or legal persons, on an equal footing. It retains the basic specification of the term resident (place of business for legal persons and place of residence for natural persons).

Provisions of the Amendment

The draft of the new currency law is based, in principle, on the convertibility of the Slovak koruna within the current account of the balance of payments. It enables residents to freely make payments and nonresident aliens to make transfers from current account operations. The draft of the new currency law:

—Removes obstacles to direct investments in EU countries, presupposing further gradual liberalization (OECD countries),

—Continues to limit purchases of foreign currency in cash, but also the export and import of cash,

—States that trading in foreign securities, the opening of accounts abroad, and the provision of credits and guarantees to nonresident aliens continue to be subject to direct regulation by means of currency permits. The waiving of this regulation is planned only for the last liberalization stages,

—Makes trading in foreign currencies and the carrying out and clearing of payments in relation to foreign partners conditional on the provision of a foreign exchange license,

—Reckons with the circulation of the Slovak currency abroad,

—Permits the regulation of the movement of short-term speculative capital,

—Retains the present regime governing the acquisition of real estate in Slovakia by foreign nationals (limiting acquisition to cases enumerated in the existing currency law),

—Emphasizes the reporting obligation [ohlasovacia povinnost], which will complement and gradually replace regulation and, at the same time, will secure the necessary information for the purpose of the balance of payments or, should the need arise, for amending the currency regime.

DU, Entrepreneurs Union Agree To Cooperate

AU0906094695 Bratislava PRAVDA in Slovak 7 Jun 95 p 3

[Article by "(sm)": "An Agreement in the Center Too"]

[FBIS Translated Text] Bratislava—A special agreement on cooperation between the Democratic Union [DU] and the Union of Tradesmen, Entrepreneurs, and Farmers [UZPR] was signed yesterday by the two chairmen, Jozef Moravcik and Pavol Prokopovic. According to J. Moravcik, the agreement creates a legal framework for mutual cooperation and will give the UZPR representation in parliament through the DU Deputies' Club. The focal point for the joint activity should be expert clubs, but consideration is also being given to extending cooperation to the local level. The two entities envisage close cooperation in the event of elections. The UZPR chairman emphasized the similarity of their views on resolving key issues, a similarity that manifested itself during the agreement's preparation. In the near future, the entrepreneurs would like—via the DU deputies—to submit a draft law to parliament on protecting business, which should, among other things, limit the possibility of the tax regulations being changed during the taxation period.

Church Defends President in Meciar Attacks

AU0906082395 Bratislava NARODNA OBRODA in Slovak 5 Jun 95 p 3

[Interview with Kosice Archbishop Alojz Tkac by Alexander Buzinkay; place and date not given: "Archbishop Alojz Tkac: We Are Not Against the Prime Minister, We Defend the President"]

[FBIS Translated Excerpt] [Buzinkay] In the conflict between the prime minister and the president, Slovak Catholic bishops have taken the president's side. What is your perception of this conflict?

[Tkac] It is an unfortunate tragedy for Slovakia. I perceive it as a conflict of values, of which the president and the prime ministers are exponents. It is a conflict over Christian values, democracy, the form of the state, and the direction it should take.

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[Buzinkay] You are being accused of attacking the prime minister....

[Tkac] In our statement, we did not take a stand against the prime minister but in defense of the president. I would like it best if Mr. Meciar's government governed well and survived the electoral term in peace. Permanent conflicts, including frequent changes of governments, cost us formidable resources and inner energy.

[Buzinkay] For the first time since [the fall of the communist regime in] November 1989, the church has clearly expressed its view on the sociopolitical situation. Why?

[Tkac] When fragile democracy is threatened, the church, too, is threatened and cannot remain indifferent. By defending democracy it defends believers and also itself. In such a case, it is the bishops' duty to say aloud what is at stake.

[Buzinkay] What does the post of president mean to you personally?

[Tkac] The president is the foundation of the state and an inviolable personality. Naturally, one can have reservations about his activity, but the head of state must be approached with reverence and respect. [passage omitted]

[Buzinkay] What is the response to your support for the president?

[Tkac] We are receiving two kinds of letters. Approving ones, whose authors write in a decent and cultivated manner, sign their letters, and give their addresses. The second group of letters comes from the president's opponents. They always call us names and are anonymous. Only two of these letters are signed. This, too, demonstrates the nature of the conflict, which people are closer to which values. [passage omitted]

[Buzinkay] How do you assess the moral stature of our politicians?

[Toth] I am disappointed by most of them, and sometimes I am shocked. Sometimes I have doubts about their intelligence and common sense. People who should be models of cultured behavior and ethics violate laws, attack the president, evoke anxiety in citizens, and fight for property without any inhibitions. It is disgusting and demoralizing. People who are easily vulnerable and have not come to terms with the past are increasingly disoriented by this. [passage omitted]

Poll Seen as Confirmation of Antigovernment Trend

AU0906091695 Bratislava SME in Slovak 2 Jun 95 p 4

[Commentary by Ondrej Dostal: "Three Confidential Messages"]

[FBIS Translated Text] The results of the May public opinion poll concerning the trustworthiness of selected institutions and their representatives, conducted by Slovak Radio's Methodological Research Department, basically conform with the results of other surveys conducted by other institutions. Hence, we can interpret them as the confirmation of a certain trend and try to uncover the messages hidden under the dry figures.

The first message, one that can scarcely be challenged, concerns the positions of the actors in the domestic political conflict played at the highest constitutional level. The most trusted of all constitutional officials and institutions is the president of the republic (50.4 percent). On the other hand, the trustworthiness of political officials and constitutional institutions who display a negative attitude toward the president is noticeably lower. The prime minister is trusted by 41.6 percent, the National Council of the Slovak Republic [NRSR] by 38.0 percent, and the government by 37.3 percent. The only coalition figure to whom the aforesaid does not apply is the NRSR chairman, who is trusted by 50 percent. This surely is not accidental and could be attributed to the fact that, more than the prime minister, the government, or parliament, Ivan Gasparovic is trying to preserve at least outwardly the image of an independent observer of the challenging of the president and tries not to become directly involved in political disputes. From the viewpoint of his boss, however, the parliament chairman is committing a serious offense, of which he will most likely be reminded one day.

Analogously, we could compare the trustworthiness of the army (58.4 percent), on the one hand, with that of the police (34.9 percent) and the courts and the prosecutor's office (34.3 percent), on the other. The problem-free acceptance of the army and the critical assessment of the police, the courts, and the prosecutor's office need not be just a reflection of citizen discontent with the growth of crime but, to a certain extent, could be an expression of distrust of institutions, in which political influence and, most recently, even unfeigned politicization are much more evident than in the case of the army, which has so far stood above everything and has not let itself be drawn into politics.

The third noteworthy fact is that Slovak Radio news (65.2 percent) enjoys 10 percent more trust than Slovak Television news (55.0 percent). Once again, the differ-

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ence can be explained by these two public service broadcasters' different level of servility toward official power, although even the 55 percent who trust the brainwashing by television is a rather shocking figure. A difference of around 10 percent is not huge, but the threefold confirmation of one and the same trend is unlikely to be just a coincidence.

Power Company Faces 'Financial Collapse'

AU0906094495 Bratislava PRAVDA in Slovak 2 Jun 95 p 2

[Article by "lr": "Power Industry Under Control; Slovenske Elektrarne on the Verge of Financial Collapse, and Technical Collapse Is Looming"]

[FBIS Translated Text] Bratislava—A credit burden amounting to 15.5 billion korunas [Sk], a bad loan structure from which follows the obligation to pay Sk8.5 billion in interest, and high permanent receivables of more than Sk3 billion—all this moves Slovenske Elektrarne [Slovak Power Company—SE] Bratislava, which generates almost all the electricity for the needs of the Slovak Republic, increasingly closer to financial collapse. This is what reporters learned at a news conference held in Bratislava yesterday to introduce the new SE Board.

The question about the real reason for the dismissal of the previous board remained unanswered, however, because representatives of the National Property Fund [FNM] of the Slovak Republic failed to turn up at the news conference. Karol Cesnek, chairman of the SE Board, believes that the dismissal was neither directly connected with the completion of the Mochovce nuclear power plant nor with the concurrent dismissal of a number of high-ranking Slovak Ministry of Economy officials. The fact is that the originally proposed model, under which the FNM was to transfer the administration of power-generating plants' property to the Ministry of Economy, will not be implemented. On the contrary, the FNM's supervisory duties are to be performed by an intermediary company, whose representative Ladislav Schwarcz, LLD, is a new member of the SE Board without an economic function. Incidentally, Schwarcz admitted that a conflict of interest has arisen as a result of his appointment to the SE Board, particularly in connection with his activity in firms that collect debts for the SE.

The SE's statutes have been changed. The powers of the Supervisory Board, particularly in dismissing and appointing members of the state-run shareholding company's Board, have been strengthened.

The SE's unfavorable financial situation prevents the company from securing the simple replacement of equipment [taken out of operation] and from meeting its commitments toward suppliers. For example, this year it is able to secure only Sk4.5 for the most essential investments, although its needs have been calculated to amount to Sk14 billion. In view of the impossibility of obtaining long-term credits from Slovak banks, the cost of even these investments will be disproportionate, however. The new SE management estimates that, unless financial flows are radically restructured and the price of electricity for households swiftly raised, within three years the Slovak power industry will be facing not only financial collapse, but a production collapse as well.

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Horn in Agreement With Butrus-Ghali on Bosnia

LD0806190795 Budapest Kossuth Radio Network in Hungarian 1600 GMT 8 Jun 95

[Dispatch by correspondent Miklos Kovacs from New York]

[FBIS Translated Excerpt] At the recently ended discussion between UN Secretary General Butrus Butrus-Ghali and Hungarian Prime Minister Gyula Horn, the Bosnian crisis was virtually the only topic. Afterward Gyula Horn briefly told the Hungarian correspondents they completely agreed that not only are the warring sides being engaged in a very sharp debate, but there are also differences of opinion among those trying to bring about a settlement. Gyula Horn repeated what he had already said in Washington, that is, more resolute ideas should be tried out in the interests of settlement since the present ones do not seem to be working.

The Hungarian prime minister also wanted to clarify some issues in connection with the talks with the IMF. The existing agreement was sufficient to begin concrete talks on a future loan. Hungary's relations with the IMF have been somewhat cool recently since Hungary has not met a single condition of the standby loan agreement made in October 1993, and the international financiers in Washington are understandably worried about this, so to speak. The present talks have eased the coolness in relations. Beside providing an opportunity for clarifying contentious issues with the IMF at the Budapest talks, these talks also allow Hungary to get the green light when asking other financial institutions—including the World Bank—for loans. [passage omitted]

Kuncze on Black Market, Privatization Probes

95CH0237A Budapest TALLOZO in Hungarian 20 Apr 95 p 733

[Interview with Interior Minister Gabor Kuncze by Peter Kurucz; place and date not given: "Stricter Measures Are Possible in All Areas"]

[FBIS Translated Text] [Kurucz] Our subject with you, Minister of the Interior Gabor Kuncze, is the black economy [a new term for nationwide black market]. According to experts, the black economy deprives the budget by about 270 billion forints [Ft]. In comparison, the administration has now targeted Ft16 billion. Is this not too little?

[Kuncze] Of course, it is too little when compared to the 270 billion but, after all, we do not know how large this sum really is; the reason why it is called black economy is that we do not know its size. On the other hand, it is unproductive to have unrealistic expectations regarding budget revenues; this is how we arrived at the 16 billion. At the same time, however, I, for one, would like to see a much larger sum collected but, on the other hand, it amounts to the same if no larger sums are taken out of the budget. These Ft16 billion constitute projected revenues but, conceivably, the same amount will not be siphoned out of the budget.

[Kurucz] You say that it is unproductive to have unrealistic expectations. Why is it unrealistic to collect or acquire, or save, much more than 16 billion, especially in view of such a united effort?

[Kuncze] That is not what is unrealistic. However, the government must be sure that listed budget revenues will indeed be received. Any possible additional collectibles—although, of course, part of this year is already gone—will be considered as added revenues.

[Kurucz] What is the main direction for action?

[Kuncze] I would not speak of a series of actions, because I think that the public is right, in claiming in connection with stricter measures, that they are not doing everything they can against the black economy. Government action against the black economy must be continuous. We must not think in terms of actions. Action has already begun, and the directions for action are those which lead to the discovery and abolition of the legal loopholes. We must, first of all, shed light on the abuses with inland revenue products, for this is where large sums are concentrated. It is imperative to take measures against black labor and, in general, against phantom companies. Actually, innumerable measures can be taken, but they must not be thought of as actions.

[Kurucz] Sales tax fraud, and failure to provide receipts, will be among the abuses. Can stricter measures be taken in these areas?

[Kuncze] Stricter measures are possible in all areas. We can have stricter control, and we can make computer programs that track down illegal tax returns. We can change the regulations. At present, for instance, the way in which the regulations concerning phantom companies work is that any new business must be reported to the Internal Revenue Directorate [APEH] within two weeks of starting it, but conceivably, a person who has been given a tax identification number may not have reported his business to other government offices, and thus may not pay any social security taxes, and so forth, and so forth. We could change this by requiring this person to have every permit before he can start his business. Innumerable phantom businesses are being started—they are started, they file for tax returns amounting to tens or hundreds of millions of forints, and then they disappear.

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[Kurucz] Thus you promise that these concrete measures will have their effects.

[Kuncze] These concrete measures have been worked out. For some of them, no government resolutions are needed because the various agencies—the APEH, the Customs and Revenue Police, and the police—can now take measures without any government resolution, merely by paying more attention and doing a better job.

[Kurucz] So, is that all it takes? Or does it also take subsidies, to give them more money to do their job?

[Kuncze] That will also happen, but that is what it takes. It also takes changes in the statutes, it also takes organization and, of course, it also takes money. Government measures include allocations of Ft2.1 billion to the Customs and Revenue Police and the APEH, Ft400 million to the Border Guard, and Ft1 billion to the police, so that they can build up these kind of activities.

[Kurucz] It would be a decisive change—and it would be perceivable for the public as well—to give the APEH policing authority. The APEH would like that, but not the Ministry of the Interior [BM]. Is it not true that Mr. Nyiri of the BM has made a statement that he does not see any justification for it?

[Kuncze] The police have policing authority; it is the police that must be used. Incidentally, the Customs and Revenue Police does have investigating authority in the area of financial fraud. It is highly questionable whether the APEH would need such an authority. However, the APEH has not yet submitted its proposal which would exactly spell out why they requested investigating authority. Incidentally, the government will make a decision on this issue in the near future, after it receives, or is familiar with, the proposal.

[Kurucz] The APEH has promised to prepare its comprehensive concept. Has it completed it?

[Kuncze] I have not seen it. They must complete it this week.

[Kurucz] You mentioned that the police will receive Ft1 billion. Gyula Horn has also stated that we need a stronger police, primarily for the measures against the black economy. What will the money be used for?

[Kuncze] In 1995, the police will increase the number of people who work in the area of financial fraud by 250. This money will be used for the technology needed for this increase and for easing the difficult financial conditions at the police, thereby increasing its options in this area as well.

[Kurucz] The possibility of real estate property taxes was among the present measures. Do you support that?

[Kuncze] I have already made several statements in this regard, namely, that we should discuss this subject after a proposal has been submitted. The situation today is that the law provides for local governments to levy taxes on buildings and land, although local governments have not made much use of this. If this law remains unchanged, then a central property tax is not feasible, for we cannot tax the same property twice. It is being questioned how large this [tax] should be, where taxing begins, and what the limits of taxing are. So, let us discuss this after a concrete proposal has been submitted. We can levy taxes, the law on local taxes will allow that, but everything is still unclear about this issue.

[Kurucz] The burdens of entrepreneurs are so great that they are obviously driven toward the black economy. You said that certain burdens—e.g., social security taxes—must be eased. When should this take place, and to what extent?

[Kuncze] The administration intends to decrease social security taxes as early as 1996, if possible. Let me note that the decreases will not be huge because the conditions for that do not exist. But if we succeed in tightening the collection of [social security] contributions by including every kind of income, then the taxes can indeed be decreased by a few percentages. The problem is that a significant and perceivable decrease is only possible if we implement the reforms of retirement pension and social security, and retirement pension and health care. However, this can only be accomplished through a program of 10 or 15 years, during which time certain levels can be decreased and a completely different system can be built.

[Kurucz] So you would ease the burdens of the entrepreneurs; you also made a long-range promise of this, with regard to other areas of taxes. During its election campaign, the SZDSZ [Alliance of Free Democrats] spoke of flat-rate taxes. They indeed introduced it but now they are backing off. Is this not a step backward from what you proclaimed?

[Kuncze] No. The reason why I, and others, speak of the necessity of really reducing taxes is that our interest lies—as, incidentally, you also indicated—in steering the black economy toward the legal economy. It must not be abolished; instead, it must be made legal. Its processes must be included in the system of normal budgeting processes. As far as flat-rate taxes are concerned, they are a good thing, for they mean less administration and, consequently, less expense for the entrepreneur, and they are more clear-cut. This is not the area which must be tightened. Stricter measures are necessary because certain loopholes remained open in

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connection with flat-rate taxes, which, as it is customary in Hungary, are exploited by many people. The point is, then, to close the loopholes; this is the purpose of stricter measures. Flat-rate taxes, with all their benefits, will remain.

[Kurucz] You are chairman of the privatization committee. It is not entirely clear how many cases [the committee] has passed on to the prosecutor's office.

[Kuncze] One hundred and five firms have been investigated by our committee, which will continue its work until the end of April, and will pass on to the prosecutor's office any case in which it is not certain whether or not it involved any criminal act. The prosecutor's office decides whether a police investigation is in order. There are two such cases at present, but I will not provide any information on them because if the police will not determine, or cannot prove, any criminal act, then there is no point in denigrating these firms.

[Kurucz] But [the cases of] Dunaferr, Autoker, the Gerbeaud House, Caola, and Videoton have been made public...

[Kuncze] I did not make any such thing public. Incidentally, what has been published in this connection is a problem because the publications were based on three-month-old files, and some of the firms have in the meantime been cleared and investigations against them have been closed. Videoton, for instance, was one of them.

[Kurucz] But did politics play a role in that? For it was the most sensitive [case] politically.

[Kuncze] No politics played a role in it. The various agencies were asked to investigate [Videoton's] privatization process, and they determined that no statute was actually violated.

[Kurucz] Will there be other cases as well?

[Kuncze] I think it is possible, considering that the investigations have not yet been terminated.

Economic Differences of Eastern, Western Regions

AU0906111895 Budapest MAGYAR HIRLAP in Hungarian 8 Jun 95 p 12

[Unattributed report: "A Third of the Unemployed Live in Three Counties"]

[FBIS Translated Text] "Regional differences have been increasing since the change of the regime, most visibly between the country's eastern and western half," a report prepared by the Industry and Trade Ministry [IKM] states. This claim is also verified by facts. We have examined the most typical indicators in three western (Gyor-Sopron-Moson, Vas, and Zala) and three eastern counties (Borsod-Abauj-Zemplen, Szabolcs-Szatmar-Bereg, and Hajdu-Bihar).

While the two regions have similar sized industrial production, unemployment was four times greater in the three eastern counties. The proportion of unemployed people is decreasing in the west while it is increasing in the east. The differences may increase without intervention: The western counties received more than twice as much foreign investment last year. However, the demographic conditions are different: The population of the eastern counties was 1.873 million on 1 January while that of the western counties was 1 million, and the population of the latter is dropping faster.

Increasing Differences

The three eastern counties provided 14.9 percent of Hungary's industrial production and the western ones gave 11.9 percent. According to the IKM, differences between the two regions have increased since the change of the regime. A decisive role was played in this by the fact that the structural change of the concentrated industry—primarily the decline of heavy industry—was not accompanied by the emergence of new activities to offset this. A further role was played by the fact that the decline of the heavy industry coincided with the general recession. At the end of 1994, some 101,200 economic organizations were registered as legal entities. Total industrial output amounted to 2,860 billion forints [Ft]. The volume index of industrial production increased in Vas county to the largest extent: by 46.1 percent. In the other five counties it more or less kept its level, or decreased a little in Zala. However, it is typical that, in spite of its unfavorable position, in December, Borsod gave 8.3 percent of industrial production by companies employing more than 50 people, which was the biggest among the counties. Gyor county follows immediately after Borsod with a 5.6-percent share.

In 1994, some 4,431 economic companies with foreign interest were formed in Hungary with Ft42.23 billion basic capital and a 31.8 billion foreign share. Some Ft3.2 billion of foreign capital came into three western counties and barely half of this amount, 1.513 billion, went to the eastern counties. Foreign capital is most cautious with Hajdu-Bihar county, here its proportion is 50 percent in the founding capital. Zala and Vas are the other extremes—and they are in first place nationally—with a more than 95-percent share in the founding capital.

Job Seekers: Szabolcs in the Lead

According to data from the National Labor Center, the number of registered unemployed was 519,600

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in December 1994 (and 486,000 in May 1995). The largest number of job seekers were in the three eastern counties. A total of 137,700 people were registered unemployed in Szabolcs, Borsod, and Hajdu counties. This means that, in December, more than 30 percent of the country's unemployed were living in these three eastern counties, and only 7 percent in the western counties. The unemployment rate was almost 1.5 times the national average in Szabolcs (18.5 percent) and Borsod (15.6 percent). While unemployment was decreasing in the western counties (from November to May, the average of the three counties decreased from 7.8 percent to 7.1 percent), the already high unemployment rate continued to rise in the east (from 15.9 percent to 16.4 percent).

Vas Leads in Exports

Industrial export sales of economic units employing more than 50 people increased by 19.2 percent in 1994, while exports from Baranya, Zala, and Nograd counties decreased. Vas county increased its exports by most, by 86.1 percent (which is nationally the highest figure). Even with the drop in Zala's exports, the three western counties increased their exports exactly three times more than the three eastern counties. Gyor, Vas, and Zala gave 16.1 percent (102.8 billion) of the country's total exports in 1994 while the three eastern counties gave 13.3 percent.

Nationally, average earnings of full-time employees increased by 24.7 percent to Ft33,300 in 1994. Looking at gross earnings, the six counties are all in the middle of the range. The groups include big differences: Earnings were more than Ft6,000 less in Vas than in Zala. A similar difference can be seen in Szabolcs and Borsod counties. In the past three years, in the administrative units, gross earnings increased by most in Gyor (57.5 percent) after Pest county.

Free Trade Zone Seems a Solution

In spite of the government decisions, progress in the county development programs is not encouraging. Of the nearly 30 central funds, only one, namely the Regional Development Fund, serves regional development directly (it had Ft6.5 billion last year and this year's target is 5.8 billion). According to the IKM, the establishment of entrepreneurial areas and customs free areas should be initiated. It is possible to set up free trade zones at Mosonmagyarovar [western border] and Zahony [Ukrainian border]. In the first case, it is also possible to create a special economic zone that would include the Szombathely-Sopron-Koszeg area. It can be assumed that the establishment of this would generate significant economic growth even without governmental support. At Zahony, however, increased state support will be needed. Feasibility studies on the Satoraljaujhely and the Lacakecske-Damoc-Zemplenagard [both northeast] customs free (and at the same time free trade) zones is under way at the moment. The IKM is expected to draw up regional plans for the Austrian, eastern, and Ukrainian border areas.

Suzuki Chairman on Company's Hungarian Investment

95CH0235A Budapest HETI VILAGGAZDASAG in Hungarian 22 Apr 95 pp 123-124

[Interview with Osamu Suzuki, chairman of the Suzuki Motor Co., by Gyorgy Heimer in Budapest; date not given: "On Roads Full of Potholes"]

[FBIS Translated Text] *During his visit to Hungary last week, Osamu Suzuki, president of the Suzuki Motor Company, attempted to convince the Hungarian prime minister and industrial minister that, in order to make the Hungarian Suzuki endeavor profitable, further government subsidies were necessary over and above the existing ones. He told HETI VILAGGAZDASAG that one of his main arguments was that the Suzuki factory in Esztergom was the cradle of a new branch of industry and he believed it was customary to subsidize new branches of industry.*

[Heimer] If you compare investment opportunities in Hungary with those in other countries where your company has been involved, what do you think of Hungary?

[Suzuki] This is a very difficult location. Without any experience and any industrial backup, Suzuki was the first to start manufacturing cars here, and as we proceed from one trail to the next, we have to face new and new unexpected challenges. There is a lack of suppliers and of a dynamic technological force, the series are small, there is growing inflation, and the forint is unstable, to name only the most irritating problems.

[Heimer] In other words, you regretted to have chosen Esztergom as a bridgehead in Europe.

[Suzuki] I wouldn't put it like that. Wages and the cost of production are low in general. Today there are still more disadvantages than advantages, but we decided to make our business succeed here, as well.

[Heimer] Among the foreigners who have invested in Hungary, the Japanese are among the last ones. How do you explain this?

[Suzuki] There is a lack of mutual understanding. Japanese companies hardly know the conditions in Hungary; more propaganda of the country would be necessary. Of

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course I understand that the most important partners are the countries of the European Union because of the geographic proximity and the common cultural heritage, but in my opinion, Hungary ought to decide in which area it expects more overseas investors. For instance, Tokaj wine, Hungarian honey, or goose feathers are already popular in Japan; in other words, I think that Hungary ought to pay more attention to the Far East, as well.

[Heimer] You obviously formed an opinion on the basis of your experiences with the Hungarian Suzuki program. After your negotiations, Industrial Minister Laszlo Pal stated that the newly levied additional tariff will strengthen the competitiveness of Suzuki of Esztergom. Do you agree?

[Suzuki] To a degree. It is true that car parts manufactured in Hungary are not affected by the 8 percent additional tariff, and this measure encourages us to further increase the 50 percent share of Hungarian parts. But one must see that car manufacturing is a completely new branch of industry here, and the mass production of quality parts requires a considerable amount of money and energy.

[Heimer] The Hungarian Suzuki Corporation has already received many kinds of government subsidies, but you are urging further measures for the protection of the industry and the market. What do you want from the Hungarian government?

[Suzuki] As I see it, Hungarian industry can be divided into two large groups. One is already at the level of international competition, but the other is still weak and cannot measure up. The task of the Hungarian government should be to protect the still fledgling industries which deserve to be expanded from the storms of competition.

[Heimer] You have visited the prime minister, and talked with the industrial minister. All in all, were you promised preferential treatment by the government, including new tax breaks and special tariffs?

[Suzuki] I only explained my personal ideas to the prime minister. In Hungary, car manufacturing is a young industry, and the government must decide how to take care of a fledgling industry.

[Heimer] Isn't it rather the case that the return on the investment is slow, and you lost 5.5 billion forints [Ft] as a consequence of the weakening of the forint and the strengthening of the yen, and the Hungarian subsidiary had to be funded anew? How are you protecting yourselves now? After all, the unfavorable trends in the exchange rate have not changed.

[Suzuki] Well, sometimes I think I will give up. Because of the repeated devaluation of the forint and the increase of the sales tax, the situation of Suzuki has again become more difficult. We want to support the Esztergom factory primarily by further decreasing the Japanese export, currently at 40 percent, in favor of Hungarian and European supplies. Currently within Suzuki, Esztergom receives 23 percent of the materials, the Hungarian backup industry supplies 27 percent, and European backup industry, 11 percent. The goal is to manufacture everything here, except for the engine and the transmission. All of this involves new expenditures. We are devoting another Ft2-3 billion to broaden the product range and to move the necessary equipment.

[Heimer] Now that you have attended the general assembly of Hungarian Suzuki, what do you consider to be the most urgent task?

[Suzuki] Sell, sell! So far, we spent Ft14.2 billion on the capital of Hungarian Suzuki, and Ft30 billion on capital goods, and we established in Esztergom a production facility suitable for the assembly of 50,000 cars per year. This year, production must increase to twice the amount of last year, to 40,000, and we plan to sell half of that amount here in Hungary, and the other half in West Europe. In order to better utilize the factory, we have agreed with Subaru to assemble in Esztergom the small four-wheel-drive Justy which is intended for sale in Europe, but we have not yet agreed on the concrete numbers.

[Heimer] One hears opinions that in price and technical parameters the Swift is not really competitive on the Hungarian market compared to the newest models of European car manufacturers.

[Suzuki] We were not able to reduce prices because of the expenses of the aforementioned large investment projects, and thus, the great financial burden naturally influences our competitiveness, as well. This is why I am saying that there should be quotas on imported cars. As far as the technical level is concerned, we manufacture the Swift in Japan, as well, and sell it in many places in West Europe, and I do not think at all that it is an outdated car. Now we are planning to leave Europe with the Swifts, and supply the market through Suzuki's sales network entirely from Hungary.

[Heimer] However, you appeared in West Europe with Baleno, a model newer than the 2.3 and 2.6 l Sedan. Don't you think that you are creating competition for your own subsidiary at a time when you are urging an increase of exports?

[Suzuki] The Baleno is a 1.6 l model with a little larger body, that is to say, it is one category above the Swift

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and the Sedan, and thus, one cannot speak of an in-house competition.

[Heimer] At your press briefing you did not want to reveal the size of Hungarian Suzuki's deficit, but you did not hide the fact that the company was still not profitable. What do you expect this year?

[Suzuki] Last year, sales increased by 30 percent above the previous year's level; the return from the sale of the 20,000 Swifts from Esztergom was Ft15.5 billion. Because of the uncertain Hungarian economic situation it is difficult to see ahead, but I trust that we can close this year with a profit.

Financial Affairs of Political Parties Reported

95CH0252A Budapest HETI VILAGGAZDASAG in Hungarian 6 May 95 pp 122-124, 129

[Article by Gabor Juhasz: "Party Balances, 1994; Assets and Liabilities"]

[FBIS Translated Text] The largest contributions, a quarter of a billion forints [Ft] were collected by the Alliance of Free Democrats [SZDSZ], a party which the opposition claims is connected to mysterious "American uncles," but the Hungarian Democratic Forum [MDF] also acquired more than Ft50 million, also from foreign financiers, such as Andrew Sarlos. With the exception of the Association of Young Democrats [FIDESZ], every party in parliament published its balance sheet of the previous year by the deadline prescribed by the law. It appears that the devotees of left-wing parties are still the most diligent in paying membership dues.

Last year's balance sheets reveal that the parties in parliament closed 1994 with a considerable deficit, but the published figures only partially reflect their financial situation. By 30 April, the deadline prescribed by the law on political parties, every party in parliament with the exception of FIDESZ published its report, and it appears that last year the MDF closed with the largest deficit of Ft508.9 million. This happened, in spite of the fact that according to the official figures on the balance sheet the leader of the previous coalition took out loans in the amount of Ft743.9 million (this amounts to more than 70 percent of its revenues in 1994), and also received Ft53.5 million in contributions (their largest private supporter with Ft2.5 million was the Canadian-Hungarian Andrew Sarlos, who also gave Ft1 million to the Christian Democratic People's Party), and the discipline of the membership in paying dues is not bad, either: They enriched the party by Ft9.4 million. At the same time, already last year the MDF had to devote Ft251.9 million to repaying loans (this is Ft43 million more than last year's state subsidy to the party); the operation of the party took Ft384.3 million, and financing political activities, including election campaigns, decreased the funds by 721 million.

Last year's budget does not reveal, however, that as a consequence of expenditures in 1994, the MDF lost two of its most valuable buildings which served as collateral for credits from the Post Bank Corporation and the Hungarian Credit Bank Corporation (HETI VILAGGAZDASAG, 18 March 1995), i.e., the party is, in fact, without real estate. This does not mean that they have to move from Bem Square: They can continue to rent their central headquarters incorporated into Fodema Trade and Service, Ltd., even after the company will be taken over by the Post Bank Corporation, which is expected to happen in the next few days.

On the other hand, the Association of Free Democrats [SZDSZ] was able to keep its headquarters on Merleg Street unencumbered. The strict assets and liabilities balance of last year's report shows a deficit in their case, as well, but the party was able to cover the Ft100 million deficit from its earlier savings, and Ft16.5 million remained in their funds at the end of 1994. This can be attributed primarily to the fact that compared to the MDF, the Free Democrats spent approximately half, Ft375.6 million, on political activities, and on the income side, they were able to record Ft246.5 million—Ft10.5 million more than their subsidy from the state—from the funds of the Foundation for Free Democrats (HETI VILAGGAZDASAG, 11 February 1995).

The Hungarian Socialist Party [MSZP] took out a Ft300 million mortgage on its headquarters on Koztarsasag Square from the Post Bank Corporation in 1993 (last year's balance shows a Ft167.6 million loan of this amount), but it will presumably have no problems in repaying the loan. Namely, its support from the state was bolstered after its election victory: Instead of the $138.6 million in 1993, this year it is entitled to $327.2 million, that is to say, last year's deficit is "only" Ft58.9 million. The Socialists have a different tactic for raising money than the previous two parties: Their largest source of income is the sale of businesses; from this source, basically from the sale of the Kossuth Publishing Company, the Trade, Ltd., the Utilities and Civil Engineering Maintenance, Trade, and Service Company, Ltd., they generated nearly Ft335 million last year.

Incidentally, the liquidation of the business property of the legal successor of the Hungarian Socialist Workers' Party continues: By the end of the year, the remaining limited liability companies are expected to be sold, liquidated, or closed with a final settlement. In the long run, only the Trade and Service Company, Ltd., which operates the headquarters on Koztarsasag Square,

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is likely to remain the party's property. (Incidentally, the MSZP adjusted its 1991 balance, as well, by disclosing an income of FT450 million paid by the newspaper publishing companies in the countryside after the privatization of county newspapers, and the same amount in expenses, because this is the money used to establish the Attila Jozsef Foundation.)

Among the smaller opposition parties, last year the deficit of the Independent Smallholders Party [FKGP] was the largest (- Ft36.7 million), but the problems of the Christian Democratic People's Party [KDNP] are more serious (- Ft8.4 million). Namely, the former receives more state subsidies, and is well endowed by real estate (they are even able to lease a part of their unencumbered property on Bem Quay, and they also own the former French Institute on Szegfu Street, which is in need of renovation). On the other hand, the leadership of the KDNP is debating whether they should sell their headquarters on Jeno Nagy Street: On the one hand, it is expensive to maintain, and, on the other, they share it with the Treasury Assets Management Agency [KVSZ]—earlier, they were forced to share with the FKGP—and their limited liability company which they underwrite is in debt.

The smaller parties which passed the 1 percent hurdle in 1990 have used up the real estate which was given to them by the state, except for the Labor Party and the Socialist Democratic Party of Hungary [MSZDP]. The Thurmer party takes care to maintain itself from the state subsidy based on election results and from membership fees and contributions (for instance, they recently established a foundation to support their weekly publication SZABADSAG). They are able to do so because after the MSZP, their membership has been paying the most in dues for years, and they can also expect fairly considerable private contributions from their—mostly elderly—sympathizers. The situation is different for the Agrarian Alliance [ASZ], the Democratic Coalition [DK], and the Liberal Civic Association-Entrepreneurs' Party [LPSZ-VP], which said good-bye to their former headquarters; the former was acquired by the National Savings Bank Corporation [OTP RT] in return for loans, and as far as we know, the latter two sold their shared real estate to a private company.

It is possible that the MSZDP would have had the same fate, but this party, because of its internal strife, has not yet received a headquarters of their own from the state (they continue to use Dohany Street 76 free of charge). According to our sources, the MSZDP's near financial equilibrium last year was due to the fact that it received approximately Ft7 million support from the Lantern Foundation established in 1993 by a private person (in reply to our question, the party denied that party chairman Laszlo Kapolyi or one of his businesses or foundations were behind this money).

Among the parties which receive financial support, the parties which had to make do with the most meager budget were the ones that surpassed the 1 percent hurdle in least year's election, and thus, they were only able to receive six months' worth of money from the state last year. Because after the 1994 election there was no "distribution of headquarters" free of charge (and one is not expected, either, although the fate of real estate owned by parties in the countryside is still unsettled), and these parties did not yet exist during the previous election, the Republic Party [KP] and the Party of Hungarian Truth and Life [MIEP] rent their offices. The Palotas party raised Ft15 million from membership dues and contributions (their balance sheet records contributions as membership dues, as well); of this amount, the party chairman paid Ft2.5 million as "membership dues" into the funds. However, the candidates of this organization did not finance their campaigns from central KP funds, but rather from the money they were able to raise themselves and which was not even registered in the records of the party headquarters. Consequently, these amounts do not show up on the balance sheets, either, which show only Ft6.5 million expenditures for political activities.

The balance sheet of the MIEP contains even more modest amounts. Istvan Csurka's organization collected Ft4.7 million in membership dues and contributions, and records Ft11.5 million state subsidy, while on the expenditure side they recorded Ft10.8 million as "support of other organizations." (Party officials did not wish to talk about details of the balance sheet, but this line usually contains expenditures which parties spend, for instance, on foundations.)

Based on the experience of previous years, these data only serve the purposes of orientation, because it happens year after year that the State Auditor General's Office [ASZ], which alone has the right to audit the parties, find in the course of their audit that the balance sheet published earlier is inaccurate. For instance, among the three parliamentary parties which were audited last, the ASZ instructed the FIDESZ and the KDNP to republish their balance sheets of 1992 and 1993; only the MDF passed. Last year, which can be characterized by real estate endeavors, proved that the financial report alone which contains income and expenditures does not provide an overview of the financial situation of parties; at the same time, the data which, moreover, are published in MAGYAR KOZLONY, the official publication of the Hungarian Republic, evoke the feeling in the public that they are able to have at least a crude overview of the parties'

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financial management. This demand from the voters is not baseless, because the parties live largely on state money, whether that is called budget subsidy, headquarters distribution, reimbursement of election costs, or even freedom from taxes.

Beyond making the report to be published more exa- and more detailed, a yearly publication of a state- of property is conceivable. According to the law o parties, a statement of property must be submitted to the court before the organization is registered (the law itself gives the outline), thus, there is hardly any reason why this could not be published in MAGYAR KOZLONY in a form updated yearly. However, there will hardly be an opportunity to do so in the near future, because the parties in parliament usually behave in a fairly similar way regarding their money, and so far the Honorable House only passed amendments to the law on parties which benefited them economically, as well.

"Auditability" might be achieved by granting more money to the parties from the state budget, based on the principle of the parties that the public has an interest in state monies (however, the topic on the agenda now is to reduce state subsidies to the parties by 15 percent), but on the long run it would certainly be worth the price. Of course one should avoid having the kind of statement of property in MAGYAR KOZLONY that is being prepared at the present time. The only one among the parties in parliament to publish a statement of property was the FKGP; it is ostensibly accurate according to the principles of accounting, still, it makes one pause that in the category of material resources, which includes real estate, the "statement of property" from Belgrad Quay records only Ft50.3 million.

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Pilot Rescue: 'Exploit With Political Connotation'

BR0906115195 Paris LE FIGARO in French 9 Jun 95 p 1

[Commentary by Georges Suffert: "Europeans Confronted by Themselves"]

[FBIS Translated Text] The recovery of the U.S. pilot by NATO's American helicopters is an exploit with political connotation. Basically, Europe has to look after itself in Europe. The famous cavalry familiar from the Westerns of our youth will certainly not arrive. The GI's will stay on their ships, and the Russians will stay put in the corridors of the United Nations. The nations of the Old Continent will emerge from this trial either humiliated or strengthened. This is the good thing about crises: They force those involved to move more rapidly.

The United States has high-performance ships in the Adriatic and aircraft above Bosnia. If it decides to use them on limited targets, there is not much that the Bosnian Serbian fighters can do about it. They are several wars behind. In order to find their pilot, the Americans, with NATO's blessing, used technology of which they are absolute masters. But they considered it necessary to specify right away that their troops did not touch Bosnian soil—a kind of taboo which perfectly expresses Washington's political impotence.

Between a Democratic Bill Clinton who leans (sometimes) toward American support on the ground and a Republican majority that refuses to hear any mention of it, the United States is bound hand and foot. It changed its mind eight times in a week. That is a lot for the world's foremost power.

As for the Russians, they brandish words like their forefathers used to brandish daggers. For their part, the Western nations fluctuate between rather naive hopes and obsolete fears. Moscow's diplomacy is respectable, but it does not really have the means to impress the Serbs. As for the vague remarks by the Russian foreign minister, Mr. Kozyrev, he has not announced even the smallest veto by his government. We must not expect from Moscow any diplomatic miracles in Belgrade or any fist-banging in New York. This is another cavalry that will not come to save the Europeans.

This is an astonishing situation for France and Britain. Ever since the Suez expedition of 1956, the two countries have accustomed themselves to awaiting the go-ahead from the two economic, military, and therefore political giants. A kind of veil is lifting from our eyes: The Bosnian crisis is a European crisis, and it is up to the Europeans to resolve it. Are they not equipped to deal with such a crisis? Well, then, they must equip themselves with the necessary means to do so! The announcement of the establishment of a Rapid Reaction Force could be a decisive step in the right direction. Many countries are dragging their feet. They must be helped to realize that the world has changed in this respect too. What if Bosnia were to force the Europeans to become politically adult?

Russia's Kozyrev Gives Views on UN Mandate

LD0706132495 London PRESS ASSOCIATION in English 1220 GMT 7 Jun 95

[By James Hardy, political editor, PA News]

[FBIS Transcribed Text] Foreign Secretary Douglas Hurd today welcomed the release of a second batch of hostages—but bluntly warned the Bosnian Serbs to free all those still held in captivity. He said Britain would step up the pressure to see the remaining hostages set free by every means at its disposal.

The hostage issue dominated talks at Downing Street today between the Prime Minister and visiting Russian foreign minister Andrey Kozyrev. Following an hour of further talks at the Foreign Secretary's official London residence, Mr Hurd and Mr Kozyrev emerged to announce that they were delighted at the latest release. But Mr Hurd told reporters: "It is not sufficient until everybody is out. It is progress but not enough progress."

"They are under strong pressure to release all the hostages. These pressures are direct, indirect, mobilised in every way that we can devise.

"They have produced two sets of releases and I hope they produce a third.

"The Bosnian Serbs know the world will not be satisfied until all the hostages are released. Then we can get on with other matters, but the holding of hostages prevents that."

Mr Kozyrev, whose country has deployed troops in Bosnia, also welcomed the release and pledged to keep up Russian pressure. "We are doing everything we can through various channels to persuade the Bosnian Serbs to free all hostages, including Russians," he said. Mr Kozyrev said John Major had further reassured him that the troop reinforcements being sent to Bosnia by Britain and France did not represent an escalation of force beyond the UN's peacekeeping role. He signalled that Russia would not attempt to block the expansion when it came before the UN Security Council in New York.

"Let us look at the draft resolution. If the draft resolution is what Douglas told me yesterday and the Prime Minister reiterated today that this would be for strengthen-

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ing the UN protection force's ability to fulfil its present mandate then there is no question of a veto."

The two men, who concentrated on Bosnia at a meeting yesterday, today focused primarily on East-West security matters and an economic aid request from Russia in advance of next week's meeting of the G7 top industrialised nations.

Silajdzic Addresses House on Lifting Arms Embargo

LD0806214295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 8 Jun 95

[FBIS Translated Excerpt] The House of Representatives of the U.S. Congress today endorsed the amendment on lifting the arms embargo on the Republic of Bosnia-Herzegovina with 318 votes in favor and 99 against. Emira Selimovic reports from Washington on this, and the first day of Prime Minister Haris Silajdzic's visit to the United States. [passage omitted]

The lifting of the embargo by America cannot be considered unilateral because its action will be followed by a hundred countries, the prime minister of Bosnia-Herzegovina said today when addressing the U.S. Congress [word indistinct] committee. The genocide in Bosnia is the consequence of the victim having its hands tied, Haris Silajdzic said, and added that the government in Sarajevo could not understand that America could support something that is not only illegal and immoral, but also deeply inhuman.

The lifting of the embargo will create the balance of power necessary for peace, Silajdzic said. Asked by Senator Alfonse D'Amato if the Bosnia-Herzegovina Government would prefer the UN Protection Force [UNPROFOR] to stay or the embargo to be lifted, Silajdzic said: The government of Bosnia-Herzegovina wants UNPROFOR to remain in Bosnia, but if that is the price for lifting the arms embargo, it would choose the opportunity to defend the country and the people alone. The international community is investing efforts to contain the conflict within Bosnia-Herzegovina, and not to solve it, he said, and added that the creation of the rapid reaction forces is only a (?different) form of the status quo, which is nevertheless the status quo. [words indistinct] will not prevent the war from spreading, the Bosnia-Hercegovina prime minister said [words indistinct] U.S. Congress.

This morning, Silajdzic met with with a group of Democrats in the House of Representatives, and is currently holding talks with the leader of the Republicans, Senator Robert Dole.

Concern Expressed About Situation in Srebrenica

Authorities 'Doing Everything'

AU0806184295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 8 Jun 95

[FBIS Translated Text] Ejup Ganic, member of the Bosnia-Herzegovina Presidency and vice president of the Bosnia-Herzegovina Federation, received a delegation of the Srebrenica war presidency headed by Murat Efendic.

The attention focused on the analysis of the overall situation in Srebrenica and Zepa in the light of the most recent events. In the name of the state and military authorities, Ganic emphasized that our people in Zepa and Srebrenica should always bear in mind that our authorities are doing everything they can to help them and also that our authorities maintain a permanent contact with the UN Protection Force and other international institutions as well as that they should not be dismayed by the lies of the aggressor's propaganda.

Yugoslav Army Flights

AU0606120295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1100 GMT 6 Jun 95

[Correspondent's report from Srebrenica]

[FBIS Translated Text] Shells are constantly falling on the villages of (?Dulje, Ljubisovic, Slatina) and [word indistinct] while Potocari is constantly subjected to fire from antiaircraft arms and sniper rifles.

It was also observed that the army of the so-called Serbian Republic sporadically fires grenades on the Serbian territory, thus, creating an alibi for the former Yugoslav Army for its active involvement in Bosnia.

We registered helicopter overflights of the former Yugoslav Army from Serbia over Bratunac, flying in the direction of Milici and Sekovici.

Lemes Satisfied With Army Reorganization

AU0806200295 Sarajevo VECERNJE NOVINE in Serbo-Croatian 5 Jun 95 p 4

[Interview with Muhamed Lemes, deputy defense minister of the Republic and Federation of Bosnia-Herzegovina, by Zlatko Vukmirovic; place and date not given: "The Army of Bosnia-Herzegovina Is Arming Itself on the Battlefields"]

[FBIS Translated Excerpt] [Vukmirovic] Mr. Lemes, the Law on the Defense of the Federation has been waiting to see the light of day for months. It is more or less

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known where, as people say, it has gotten stuck. Can you tell us what stage of preparation it has reached?

[Lemes] The work on this law has been going on since the end of July 1994. Its seventh version was jointly completed in Zenica about 10 days ago. The text, which is agreeable for the first time regarding the issues that we had not been able to agree on in the past, and which represents a major progress, offers the alternative solutions of Bosniak and Croat peoples.

[Vukmirovic] Are the greatest disagreements still connected to the character of the future federal army?

[Lemes] Yes. We take the view that the Federation of Bosnia-Herzegovina should have one, and the representatives of the Croat people that it should have a two-component army. It has been proposed that we overcome this with an interim solution which would in effect expand the Split Agreement. In reality there would be two armies, but we would be working in the transitional period on their unification. There is no agreement on this yet, and, judging by everything, we will have to wait for political stands to be taken.

Increased Effectiveness

[Vukmirovic] How would this army be commanded?

[Lemes] One army assumes one command. In the interim period we would have a joint general staff.

[Vukmirovic] The Army of Bosnia-Herzegovina has undergone fundamental changes in the past few months. Are you satisfied with the results of these changes, and to what extent are these in line with the planned solutions in the Law on the Defense of the Federation of Bosnia-Herzegovina?

[Lemes] The reorganization has shown good results that are primarily reflected in the increased effectiveness of the Army and its rationality. The principles of reorganization will not contravene the new law.

[Vukmirovic] How do you assess today the logistics of the Army of Bosnia-Herzegovina?

[Lemes] In comparison with the past, the situation has improved considerably. To be more specific, the soldiers are receiving better food, there has been an improvement in the supply of energy sources, medical kits, clothes, footwear, and other military gear.

[Vukmirovic] What about the domestic special-purpose production?

[Lemes] The Army of Bosnia-Herzegovina is arming itself on the battlefields, partly by capturing arms from the aggressor and partly from the domestic production. A large number of factories have been made operational for producing the type and the quality of arms needed for the defense of the country. The production that has been started largely meets our demands. However, the attained level must continuously be maintained as we are talking about consumable production materials and products that need to be replaced. I think that we have succeeded in this.

[Vukmirovic] The government is currently trying to implement its decision on balancing production, needs, and services in the war. How much has been done on this so far?

[Lemes] The Ministry of Defense, together with other ministries, has recently visited all the free regions in Bosnia-Herzegovina and carried out many consultations aimed at evaluating needs and capabilities of the economy in order to help the defense of the country and meet the basic needs of the population. These activities are well under way and the ultimate aim is to place all resources in the service of these aims, defense and survival.

[Vukmirovic] Which branches of the economy have priority?

[Lemes] The production of sources of energy and food, as well as everything else that is needed for defense. [passage omitted]

Filipovic: Dangerous Situation for UN Troops

AU0806171795 Paris AFP in English 1620 GMT 8 Jun 95

[FBIS Transcribed Text] Brussels, June 8 (AFP)—The international community should either harden the mandate of the UN force in Bosnia-Herzegovina, or withdraw it and give the Bosnian government the means to defend itself, a Bosnian diplomat said here on Thursday.

Muhamed Filipovic, ambassador to Britain of the mainly Moslem Bosnia Government, said that "without a clear new mandate, these forces could find themselves in an even more dangerous situation than today."

"We have no time for UN troops which cannot protect either the safe areas, civilians, or themselves," he added.

"They are there to keep peace, but there is no peace."

Western officials have insisted that their plans for a new rapid reaction force in Bosnia would not involve a change in the mandate of the UN Protection Force (UNPROFOR) in the country.

The mandate only allows troops to open fire if they are directly attacked.

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Filipovic was going on to the Netherlands to testify before an international tribunal on war crimes in the former Yugoslavia.

SDA Condemns 'Shameful' UNPROFOR Behavior

AU0806194095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 8 Jun 95

[FBIS Translated Text] The grave situation in which the UN peace troops in Bosnia-Herzegovina have found themselves is a consequence of the fact that the new mandate in conformity with Resolutions 981 and 982, which would allow the UN Protection Force [UNPROFOR] in Bosnia-Herzegovina to act independently of the main headquarters in Zagreb, still has not started being implemented. We still do not have the chief of the mission for Bosnia-Herzegovina, which, judging by everything, is being foot-dragged by the UNPROFOR administration in Zagreb. Hasan Muratovic, president of the state committee for liaison with the United Nations, said this at today's news conference by the Party of Democratic Action [SDA].

Muratovic characterized UNPROFOR's behavior in Srebrenica and other safe havens as shameful, as they are not protecting what should be protected there according to the resolutions. The blue berets even withdrew from individual points, thus allowing the chetniks to expel the civilians from the newly built refugee camps. Our government, according to Minister Muratovic, does not have a plan for the protection of Srebrenica because it trusts that the international community will not allow itself to be disgraced so much; however, he emphasized that our army definitely has some plans for the protection of residents.

We demand that the international community fulfills its obligations which are highly ethical and professional, bearing in mind that the population of Srebrenica was disarmed, Muratovic said.

Even though UNPROFOR explicitly said it would not negotiate with the Serbian side about the hostages, our government has learned that senior UN officials negotiated with the representatives of Karadzic's paracountry in Pale the night before last. After these talks, Muratovic believes, all agreements that our side reached with UNPROFOR in the resolution of important issues have fallen through.

Muratovic stressed that after these talks in Pale, the UN officials [words indistinct] before they resolve the issue of the detained UN members. Such [word indistinct] inertia of the UNPROFOR administration, according to Minister Muratovic, casts a great shadow over the United Nations, which secretly negotiates with the aggressor and conceals from us the talks [words indistinct] people in the besieged towns.

Minister Muratovic believes that the rapid reaction force still lacks a clearly defined mandate even though much was promised at the time of its formation, primarily in connection with the UNPROFOR mission and protection of civilians.

The SDA is of the opinion that the talks that Sejfudin Tokic held with the so-called democrats from Pale is a product of political blindness and personal maliciousness. Tokic did not even have the mandate of his own party [the Union of Social Democrats of Bosnia-Herzegovina] for such talks. For his actions and [word indistinct] of the blame for the aggression on Bosnia-Herzegovina, he will have to answer morally before the people of Bosnia-Herzegovina and politically before the parliament of the Republic of Bosnia-Herzegovina.

The plan of the so-called democrats from Pale, which were in these talks headed by [word indistinct], is a Serbian Republic and the Greater Serbia. Their goal is not a sovereign Bosnia-Herzegovina, the SDA believes.

SDP Views Security, Reaction Force Prospects

AU0706152995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 7 Jun 95

[Report by Aida Omerovic]

[FBIS Translated Text] The Social Democratic Party [SDP] of Bosnia-Herzegovina held a news conference in Sarajevo today. Journalists were addressed by SDP Vice President Gradimir Gojer and the SDP Presidium member Miro Lazovic. Aida Omerovic reports:

[Omerovic] SDP Presidium member Miro Lazovic said that the recent events in Bosnia-Herzegovina, starting with the escalation of fighting in Sarajevo, the half-hearted ultimatum by General Smith, and NATO aircraft demonstration for small children around Pale, have resulted in the capture of UN soldiers by Karadzic's Serbs. The international community has reacted to this by deciding to make more radical the UNPROFOR's [UN Protection Force] status, which has so far been impotent, by sending intervention forces that are bringing with them many unknowns, doubts, and hopes.

For us, it is indicative, and it calls for caution, that Britain and France, which have not had a clear stand on the aggressor and the victim, were the first to make a move by sending fresh elite forces to Bosnia-Herzegovina. Precisely because of that, it is necessary that the Government of Bosnia-Herzegovina hold talks with the Governments of France and Britain.

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The SDP calls for the state structures in Bosnia-Herzegovina to analyze thoroughly the newly developed military and political position of the international community toward our country.

Lazovic also said that the SDP opposes the recognition of Bosnia-Herzegovina by Serbia if it is made conditional on our country being internally organized as two separate entities. Milosevic should be asked only to recognize the outside borders of Bosnia-Herzegovina. It is not up to him how Bosnia-Herzegovina is going to be organized internally, but up to us.

SDP Vice President Gradimir Gojer spoke about the critical humanitarian and security situation in Bosnia-Herzegovina, raising the question of the purpose of the United Nations, especially its humanitarian organizations. He stressed, citing UNHCR information, that not a crumb of food has arrived in Sarajevo for two months. The aggressor is also trying to kill the residents of Sarajevo by disconnecting power, water, and natural gas.

The SDP proposes that UN Sarajevo Coordinator Eagleton be asked to state publicly what he has done since his appointment and to state publicly who the [words indistinct] of the protest of lifting the humanitarian siege of Sarajevo area. The world is silently watching the humanitarian catastrophe of the capital city of the Republic of Bosnia-Herzegovina, Gojer stressed, adding that there is no solution for the situation in Bosnia-Herzegovina without a solution for Sarajevo.

Daily: Russian Stand Toward Rapid Reaction Force

BR0606133095 Paris LE FIGARO in French 6 Jun 95 p 3

[Commentary by Irina de Chikoff: "Hostages for Veto"]

[FBIS Translated Text] Moscow—Russia is finding it increasingly difficult to exercise its influence over the Bosnian Serbs via Belgrade. Indeed Serbian President Slobodan Milosevic is exploiting the situation to raise the stakes. In a telephone conversation with Jacques Chirac, Boris Yeltsin could only repeat Moscow's position, in continuing to prefer "political means" for resolving the Bosnian crisis. According to Sergey Medvedev, the Kremlin's press attache, "the principle of increasing the pressure on the Serbs has been accepted. But as far as President Yeltsin is concerned, it must be exclusively political and moral pressure."

Conversation With Chirac

Western diplomats are agreed that the Kremlin is no longer raising a "systematic obstacle" to the rapid reaction force, whose creation was decided on by the WEU [Western European Union] and NATO in Paris on Saturday [3 June]. There are two indications in this regard: The military attache of the Russian embassy in France attended the meeting in an observer capacity; furthermore, Moscow is apparently not opposed to an intervention by this force, on condition that it operates strictly within the UN framework.

The formation of the force is subject to the Security Council, but the Kremlin has apparently not yet decided whether or not it will exercise its right of veto. Moscow again faces its usual dilemma. Russia does not want to seem too "docile" toward the West, in order not to lose its supposed "credibility" in what used to be called the nonaligned countries. But neither does Russia want to do anything that would further isolate it within the international bodies to which it intends to adhere.

During his conversation with President Chirac, Boris Yeltsin apparently explained that he expected to send envoys again to Slobodan Milosevic and Radovan Karadzic. Last week Moscow had a "ministerial mission," because the Russian president realized that the visit was in danger of resulting in a failure. After explaining that Moscow had long been able to exert pressure on the Bosnian Serbs thanks to its links with Belgrade, Dmitriy Ryurkov, Yeltsin's diplomatic adviser, admitted: "Now we can no longer achieve anything."

Slobodan Milosevic, doubtless disappointed with his efforts to secure a lifting of sanctions, informed the Kremlin that he regarded a mission by Andreyi Kozyrev and Pavel Grachev, the foreign and defense ministers, as "their own private business." In other words, it was pointless for the Russian ministers to travel to the Balkans empty-handed.

What trump card has Russia suddenly found in order to be able to envisage another "mission" to Pale and Belgrade? What new argument could suddenly make it possible to secure the Blue Helmets' release? Some Western experts in Moscow offer the following initial answer: In exchange for the hostages, the Kremlin might promise Karadjic to veto the establishment of the rapid reaction force.

Federal Partners Disagree on Customs Charges

95BA0234T Belgrade BORBA in Serbo-Croatian 17 Apr 95 p 4

[Unattributed article: "Silajdzic Is 'Extinguishing' Herceg-Bosna"]

[FBIS Translated Text] Belgrade—Muhamed Lemes, deputy defense minister in the government of the Muslim-Croatian federation, warned the government of Herceg-Bosna in a statement for the Muslim Radio Sarajevo that if it continues to collect deposits for all goods and products imported into territories under Muslim

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control, then there could be undesirable consequences in the field.

A Muslim Radio Sarajevo correspondent claims that a large number of Muslim enterprises deposited considerable financial resources with shipping firms and banks in the Croatian republic of Herceg-Bosna, but that the money has not yet been returned to a single enterprise, even though they have presented all the customs documents.

The same source recalls that the Muslim-Croatian federation's prime minister, Haris Silajdzic, requested that the Constitutional Assembly set a date for "extinguishing the Croatian republic of Herceg-Bosna" and for federal laws to go into effect, because until then, in his opinion, not a single problem can be solved.

Minister Hasan Muratovic in the Muslim-Croatian federation's government claims that the political and financial oligarchy of Herceg-Bosna will never agree to a joint federal budget or any sort of controlled systematic activity.

Muratovic, in a statement for Muslim Radio Sarajevo, assessed the decree by the government of the Croatian republic of Herceg-Bosna that introduced a deposit of 20 percent on all goods intended for Muslims as an example of "unprecedented theft and economic terrorism."

HVO Commander Views Situation Along Corridor

AU0906112695 Zagreb VECERNJI LIST in Serbo-Croatian 6 Jun 95 p 7

[Interview with Djuro Matuzovic, a staff brigadier and commander of the Army Command of Orasje, by Zvonko Zivkovic; place and date not given: "We Are a Thorn in Serb Flesh"]

[FBIS Translated Excerpt] For already a month in the Orasje battlefield fighting has continued with undiminished ferocity. All along the 40-kilometer-long front line, the chetniks, with all available force, that is with armored combat vehicles and infantry, supported by artillery, have been attacking and attempting to break through the lines of defense of that free part of Bosnian Posavina [the Sava river basin]. The offensive entitled "Revenge" is taking place.

[Zivkovic] The free area of Bosnian Posavina, and at the same time the only unoccupied part of Bosnia-Herzegovina along its northern border, the Serbs most often call the "Orasje pocket." So, in military jargon, they call it a territory that is intentionally skipped, or left to the enemy with the intention of later action. What do you think about that?

[Matuzovic] Regarding its meaning, this is a bridgehead, moreover, a bridgehead in a traditional sense, from which one day, if diplomacy fails, we will certainly recover the presently occupied part of Bosnian Posavina. Historically, it belongs to Croatia, it will be and stay forever ours. On the other hand, this bridgehead is strategically very important to Croatia, because if the Serbs reach the Sava river, they will not stop there. [passage omitted]

Huge War Machine

[Zivkovic] During the last three years this area has been a thorn in chetniks' flesh, so that at the beginning of May they started a huge war machine, the largest so far, in order to realize their intention. The code name of the offensive is "Osveta" [Revenge]. What is the objective of this offensive?

[Matuzovic] As soon as the action "Bljesak" [Flash—code name of Croatian operation in western Slavonia] started, apart from our usual ones, we introduced some additional tasks and announced full combat readiness and reviewed troops, because we were aware that the Serbs would try to take a part of the territory in order to raise the morale of their units. Since we have made all the preparations on time, on 5 May we received the chetniks readily. Despite tens of thousands of shells that have fallen on our defense line and all our inhabited places, and despite daily combined tank and infantry attacks, the offensive is being broken gradually, thanks to the determined resistance of our courageous and experienced fighters.

The objective of this offensive was not only the capturing of Orasje, but also forcing the river Sava and the conquering of Zupanja, Vinkovci, and Osijek, as well as linking with Eastern Slavonija Corps of the rebel Serbs. However, nothing will come of those big plans, and the chetniks are now panicking even more. According to the testimonies of the prisoners, who were talking about only one of their military units, there had been several instances of self-infliction of wounds, which eloquently speaks of the morale of Serb fighters. A story in itself is the decision of their authorities to cocoon their villages and towns, that is, to prevent any communication between them. In that way, the troops they send into Orasje-Samac battlefield do not know how their predecessors did, nor do they have any notion about what hell awaits them.

B-H Army Assists

[Zivkovic] Have the forces of HVO [Croat Defense Council] and the B-H Army used somehow the involvement of a great number of chetniks in this area?

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[Matuzovic] This is no longer 1992 and we are not waiting to be attacked. Of course, our units and those of the Army [of B-H] use this situation, first of all, to help us. On Mt. Ozren the Serbs have already been losing territories, in this area not yet, which does not mean that they will not. The famous 106th and 104th HVO brigade have defended this area, and the arrival of the 101st Bosanski Brod Brigade, 102d Odzak Brigade, 103d Derventa Brigade, and 105th Modrica Brigade, has made it a lot safer. In the combat currently going on, the HVO fighters will not only show that they can fight, but they will also prove that they can attack, too. This is not, I repeat, 1992, when our only weapon was our courage. Now we have got a lot more experience.

[Zivkovic] From the beginning of the offensive, the Serb media have been involved with various fabrications. A couple of days ago, they "released" an "information" that you had been kidnapped and killed by Muslim extremists. How do you explain such "combined" attacks?

[Matuzovic] It was another cheap trick, an attempt at provoking panic in Orasje and a conflict between the Croats and the Muslims, which has never occurred here. This is a Croatian area, in which the Muslims live, too, fight together with the Croats and they will remain here.

[Zivkovic] If it is not top secret, what forces are defending the Orasje bridgehead?

[Matuzovic] This area has been defended by 106th, 201st, and 202d HVO Home Guard Regiments, the fourth Guard Mechanized Brigade "The Sons of Posavina," attending units, and Derventa Police Department special forces.

President Tudjman's Support

[Zivkovic] What is your explanation of the manipulations of the alleged swap of western Slavonia for the free part of Bosnian Posavina?

[Matuzovic] Simultaneously with the beginning of "Osveta," which followed only a couple of days after Croatian "Bljesak," the Serb media "pushed through" the information that this area was sold in exchange for western Slavonia. There was no exchange of territories, nor should one fall for such stories, which are launched more because of the Serbs, to make them believe that they will have no problems in capturing Orasje. They intended to have their cup of coffee in Orasje on 10 May, so it is not difficult to conclude who has been sold. [passage omitted]

[Box, p 7]

Attacks in Waves

[Zivkovic] Do you have any information about chetnik forces deployed in this battlefield?

[Matuzovic] The forces constantly deployed against us have been reinforced for this offensive with the soldiers who escaped from western Slavonia, special forces of so-called Serb Republic, and with volunteers from Serbia. Arkan's and Seselj's volunteers arrived here in large numbers, and there are also their elite troops. Altogether, there are approximately 10,000 troops and 100 armored vehicles. They are divided into three echelons, that is three waves of attack. When we thin their first echelon out, they retreat, and the second echelon starts to advance, and so it goes, one after another, alternately. During those attacks, chetniks use human shields consisting of Croats and Muslims, brought in from Banja Luka region.

[Box, p 7]

Chetnik Arsenal

[Zivkovic] The offensive has already been going on for a month. During this period chetniks have used all available arms in order to reach the river Sava. Among other things, they introduced modified air bombs, aerosol and phosphor bombs, mine-sweeping rockets better known as "stuka."

[Matuzovic] The enemy has now used stukas for the first time. These are very efficient rocket-driven explosive devices intended to sweep mines and make passages through minefields. They can be placed along a length of several dozen meters, and they carry between 600 and 1,500 kilograms of explosives placed in the tubes of this dangerous device. So far, chetniks have launched some 15 "stukas" onto the front and the front line of defense in order to destroy mines and conduct their people and equipment through, but without success. Beside that, they have launched 11 modified cluster bombs "volkov" and nine "luna" projectiles. For the first time, too, they have used aerosol bombs, which they threw in the immediate front of our lines. When activated, those bombs use up all the oxygen, leave people without air and temporarily daze them or knock them out. For a short time, but long enough for chetniks to come closer and pass through.

Bosnian Croat General on Successes in West

LD0706211895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 7 Jun 95

[FBIS Translated Text] The Croat Defense Council [HVO] has scored considerable successes on the

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Glamoc-Grahovo battlefield on Mt. Sator, from which it controls the main roads between the two Serb parastates. Major General Ivo Lozancic will tell us more about the latest successes of HVO units.

[Begin Lozancic recording] Early in the morning on 4 June Serb forces launched an offensive against HVO positions on the Livno-Glamoc section of the battlefield. After we repelled all attacks, we launched a counterattack, and over the past two days we liberated 35 square km of territory. We advanced from the Livno-Crni Lug direction toward Bosansko Grahovo and captured the domineering positions on Mt. Sator with minimal losses and several wounded. We inflicted huge losses in manpower on the enemy and captured large amounts of equipment.

It has been relatively peaceful today. There have only been sporadic enemy provocations, but when our forces consolidate and rest a little bit, we will continue our offensive aimed at creating preconditions, which we have already created, for capturing Sator and for further advances in the direction of Sipovo, Glamoc, and Bosansko Grahovo.

At the moment we are 12 km as the crow flies from Grahovo, and further advances can be expected seeing that the Serb forces are in disarray. We have taken control of some of the Glamoc-Grahovo road, so that the only link between Glamoc and other Serb-held areas is via Sipovo. The communication on the Knin-Grahovo road is now difficult, and our further advances will put that road in jeopardy. The Glamoc-Grahovo road has been cut, and the largest part of the Grahovo-Drvar road is within the range of our weapons. [end recording]

Croat General: Southwest 'Offensive' To Continue

AU0706204195 Paris AFP in English 2022 GMT 7 Jun 95

[FBIS Transcribed Text] Sarajevo, June 7 (AFP)—A Bosnian Croat general announced Wednesday that his troops would press on with an offensive in southwestern Bosnia and link up with Bosnian government troops near Bihac.

Speaking on Bosnian television, General Ivo Lozancic said the Bosnian Croat army had cut the 60-kilometer (40-mile) long Glamoc-Bosansko Grahovo road in the southwest of the country, making communication between rebel Bosnian and Croatian Serbs more difficult.

"We liberated 35 square kilometres (eight square miles) of the territory in the last two days taking some high points on the Mount Sator" between the Bosnian Serb controlled towns of Glamoc and Bosansko Grahovo, said Lozancic.

That area in southwestern Bosnia borders the Serb-controlled part of southwestern Croatia. The Croatian Serb stronghold of Knin is just 40 kilometres (25 miles) southwest of Bosansko Grahovo.

"We are only 12 kilometres (eight miles) away by straight line from Bosansko Grahovo," Lozancic said. "We will continue our offensive in order to advance in three directions."

Bosnian Serbs, however, claimed Wednesday they had regained some ground in the area but gave no details.

Asked about linking up with the Bosnian Army 5th Corps from the northwestern enclave of Bihac, Lozancic said. "We will coordinate our actions and... the 5th Corps will advance (toward the south) so we expect linking of our forces at some point."

Two weeks ago the 5th Corps advanced to the southeast from the Bihac pocket, but the two armies are still 80 kilometres (60 miles) apart.

Croat Houses Confiscated for Muslim Refugees

LD0806180795 Mostar Croatian Radio Herzeg-Bosnia in Serbo-Croatian 1600 GMT 8 Jun 95

[FBIS Translated Text] The office for refugees and displaced persons of the government of the Croat republic of Herzeg-Bosnia and Herzeg-Bosnia officials who liaise with international organizations reported today that about 400 Bosnian Muslim refugees who returned from FYROM [The Former Yugoslav Republic of Macedonia] via Albania and the Republic of Croatia have been given accommodation in Konjic municipality and another 150 in Jablanica municipality.

Local Muslim authorities in these areas have already started moving Croats out of their apartments in order to provide accommodation for the newly arrived refugees, most of whom lived in eastern Bosnia before the war.

The relevant Herzeg-Bosnia bodies consider such actions detrimental for the overall relations and in contravention of the agreements specifying that the refugees and displaced persons who originate from certain towns should be the first to return there.

Toholj Denounces U.S. Decision on Arms Embargo

LD0806221695 Belgrade SRNA in Serbo-Croatian 2135 GMT 8 Jun 95

[FBIS Translated Text] Sarajevo, 8 Jun (SRNA)—This evening, Miroslav Toholj, information minister of the Bosnian Serb republic, warned that the decision by the U.S. Congress to lift the arms embargo against the Muslims unilaterally was one of those senseless moves

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which, as a rule, had contributed to the escalation of the war in Bosnia-Herzegovina.

"As many earlier decisions, this one was based on a wrong assumption that the Serbs are the aggressors and the Muslims are defending themselves, although President Clinton repeated several times that civil war is raging in former Bosnia-Herzegovina," Toholj said in a statement for SRNA.

According to him, arms which would eventually find their way to Muslims "to defend themselves," as pro-Islamic lobby in the Congress puts it, would be just weapons for a fresh Muslim offensive.

Voicing the view that the White House and President Clinton would bear in mind the fact that there could be no talk about the Serb aggression or the Muslim defense from the aggression, Toholj warned that one-sided lifting of the arms embargo against Muslims would definitely side the United States with the Muslims.

"It is much easier to find an acceptable political solution than to prolong the war," Toholj concluded in the statement for SRNA.

Koljevic: NATO Has Exceeded Its Framework

AU0706171195 Banja Luka GLAS SRPSKI in Serbo-Croatian 6 Jun 95 p 2

[SRNA report: "The World Is Changing Its Course"]

[FBIS Translated Text] Nikola Koljevic, vice president of the Serb Republic [RS], said last night that the world is changing its course regarding the war in the former Bosnia-Herzegovina, stressing that even the Muslim mentors in the world no longer believe in the military option as the right solution to the Bosnia-Herzegovina crisis.

"Even UNPROFOR [UN Protection Force] has confirmed that the latest offensive on the Serb positions was started by the Muslims. This proved to be neither militarily nor diplomatically prudent," Koljevic said in the Serb television program "Na Braniku Otadzbine [Defending the Fatherland]."

He said that the Muslims are losing on the battlefields, but that the diplomatic "catastrophe is going to be even greater for them because they enjoy less and less support in the world."

"All mentors are prepared to extend help when there is no danger of them being drawn into the war. When the war escalates, they are less and less prepared to be mentors," Koljevic explained, adding that the U.S. military doctrine is now based on a "limited war."

The RS vice president described the NATO attack on the Serb territory as a "hasty move," saying that this action was condemned by, above all, Russia and Japan, as well as some Western "hawks" who used to advocate the military option.

"In this action, NATO has exceeded its framework," Koljevic said, saying:

"The former Bosnia-Herzegovina is not a member of NATO, which is a defense alliance of its members. It is obvious that what we have here is a political move by those who do not care for the documents."

The RS vice president said that by attacking the Serbs, NATO has also violated, among other things, international law and UNPROFOR's mandate as the protector of peace.

According to Koljevic, two absurdities were the cause for the incident between the Serbs and UNPROFOR that escalated into NATO's air strikes:

The first, which is a lesser absurdity, is the fact that UNPROFOR has taken on the role of protecting peace, which does not exist, and the second, which is a bigger absurdity, is the fact that UNPROFOR has tied itself to NATO. In other words, the peace force has tied itself to a military force.

The RS vice president stressed that if the international community really wanted to see a just peace founded on a realistic basis, it should attune the equality of interests that would lead to negotiations and the maps acceptable to all warring sides.

"It is clear that a new peace conference could help avoid a new crisis, if it was based on the equality of all the warring sides." Koljevic stressed.

Contacts With 'Democratically Oriented' Serbs

AU0706205995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 7 Jun 95

[FBIS Translated Text] Rajko Zivkovic, secretary general of the Serbian Civic Council [SGV] of Bosnia-Herzegovina, today made a statement on the recent meeting between the representatives of the Union of Bosnia-Herzegovina Social Democrats and the representatives of independent deputies of the self-proclaimed Pale parliament. He said, among other things, the following:

In any case, we welcome the meeting in Perudja and the participation of some representatives of political parities from Bosnia-Herzegovina in that meeting. Not only now, but throughout the entire work of the SGV, we have been supporting all initiatives and actions aimed

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at establishing contacts and reaching agreements with the democratically oriented Serbs who now live on the territory under the control of Karadzic's regime. There have been such contacts in the past. For example, with an illegal organization in Banja Luka, the General Front of the Serb People [Sveopsti Front Srpskog Naroda], which has been active for two years, and which has branches in some other municipalities under the control of the criminal Karadzic.

We obtained information some time ago that a number of citizens of the Serb nationality from the temporarily occupied territories want to return to [words indistinct]. They are looking for ways to contact the SGV, not only in Bosnia-Herzegovina, but also the (?councils) in the communities in the areas where they live at the moment.

The SGV has for same time been present on the international political scene and its stands on the issues of the integrity and future of Bosnia-Herzegovina are respected in the most important international and diplomatic circles. The 11-member group of independent deputies from the parliament operating on the territory of Karadzic's regime also know that, Milorad Dodik, above all.

Judging by their statements in Belgrade and now here in Perudja we saw that they are mainly [words indistinct], which the SGV is now doing. Our goals are an integral Bosnia-Herzegovina within the internationally recognized borders, a just peace, democratic and parliamentary life, the protection of human rights, the return of refugees to their homes, and the punishment of war criminals.

This meeting will contribute to the preparation of the meeting of democratic forces from the ranks of the Serb people who live in Bosnia-Herzegovina and in exile. The SGV has been working on this for some time.

The goal is to achieve the acceptance of the Contact group's peace plan by all Serbs, Zivkovic said.

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Commentary on Croat Alternatives to Reintegration

AU0706144895 Split SLOBODNA DALMACIJA in Serbo-Croatian 3 Jun 95 p 2

[Commentary by Ante Gugo: "Croatia Without an Alternative"]

[FBIS Translated Excerpt] If the Contact Group were to agree to a solution that would result in sanctions being relaxed for the so-called Federal Republic of Yugoslavia for its recognition of Bosnia-Herzegovina—but not the recognition of Croatia within its internationally recognized borders—it would constitute a move that would leave the Croatian authorities without an alternative in the further process of reintegrating the occupied territories. This conclusion is just a summary of the latest diplomatic events that culminated in Croatian Foreign Minister Mate Granic's letter to his colleagues from the Contact Group member countries. The foreign ministers of France, Germany, the Russian Federation, the United States, and Great Britain have been warned of events that clearly link Serbia with the authorities on the temporarily occupied territories; their attention has also been drawn to the intensifying military cooperation between Belgrade and Knin at a time when a relaxation of sanctions for Serbia is in preparation. [passage omitted]

Using subtle diplomatic language, Minister Granic has pointed these facts out to the Contact Group foreign ministers. The things that are not directly mentioned in the letter, but which diplomatic circles should be able to glean—this has been confirmed by high-ranking Croat sources—is the possibility that the Republic of Croatia could put up resistance to the possible sequence of events. If sanctions are relaxed for Serbia without its having recognized the Republic of Croatia within its internationally recognized borders, there will be only one alternative left. The Croatian Armed Forces will again have to make a flash appearance with all the new, recently displayed armaments in order to enable the UN Confidence Restoration Operation in Croatia to monitor the borders and the reintegration of occupied territories in the same way as in western Slavonia. Whether events will really take this course depends solely on the superpowers. The UN Security Council and the Contact Group have to decide whether they will amend their impotence in preventing the humiliation of the international community with an unfavorable compromise with Belgrade or whether they will stand by their proclaimed stances. Namely, the majority of resolutions passed by the UN Security Council that pertain to the Republic of Croatia in their texts link the lifting of sanctions for Serbia with the recognition of Croatia. Precisely these stances have dictated the rhythm of solving the problem of occupation. If the conductors abandon the rhythm they have themselves set, we have the right to do our own dance. The authorities in Zagreb claim that if the conductors agree to this, they will be able to tell when the first beats of the new rhythm have been sounded. And that is when the new dance begins.

Arms Fair Showcases Domestic Military Equipment

AU0806061795 Zagreb VJESNIK in Serbo-Croatian 1 Jun 95 p 2

[Article by Zeljko Buksa: "The Rise of the Military Industry"]

[FBIS Translated Excerpt] Zagreb—General Major Vladimir Zagorec, the deputy defense minister, opened the exhibition of military technology and equipment manufactured by the Croatian military industry on Wednesday [31 May]. The exhibition takes place within the International Fair for Protection of Persons and Facilities, and Fire Fighting. [passage omitted]

"Degman" Better Than M-84

The completely new Croatian tank "Degman" with a 125-mm gun has drawn the most attention, since it is even better than the well-known model M-84, which is exhibited next to it. The development of the new tank is in the final stage now, so that it will soon appear on battlefields—naturally if this is necessary. "Degman" has been developed on the model of the best foreign tanks, and according to its basic characteristics—mobility, firing capacity (among other things, it also has the most modern fire-control system), crew protection, and communications possibilities—it is better than the M-84.

Several models of multiple rocket launchers—from the large "Tajfun" model with 32 barrels of 122-mm caliber, with a maximum range of 21 km (it will be soon enhanced to 35 km), mounted on a van, to smaller launchers of 70- and 128-mm calibers—as well as the M-92 rocket launcher with remote control, 60-mm, 82-mm and 120-mm mortars, a 120-mm howitzer with a maximum range of over 17 km, and other heavy weapons are also exhibited.

New Models of Infantry Weapons

The exhibits also include several combat vehicles with multiple rocket launchers and machine guns mounted on them—which can also serve for the transportation of soldiers and guns—450 kg antisubmarine mines, various sorts of missiles, bombs, and mines as well as different models of Croatian warships.

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The visitors have shown keen interest in new models of infantry weapons. The exhibits include 40-mm semiautomatic bazookas, the "mini Ero" machine gun, several models of sniper guns, the APS 95 automatic gun with a fire rate of 650 rounds per minute as well as a 20x110-caliber [as published] handgun, and a new Croatian semiautomatic pistol and other weapons. Until the closing of the exhibition on 3 June 1995 you can also see various military equipment, such as laser tank simulators, training systems, parts of weapons, and other interesting models of military equipment and technology of Croatian origin.

Development, Purchase of Missile Systems

AU0806191395 Zagreb VJESNIK in Serbo-Croatian 3 Jun 95 p 5

[Article by Fran Visnar: "The Pride: Missiles and Tanks"]

[FBIS Translated Excerpt] Many people in Croatia will, without hesitating, answer the question about how they spent the fifth anniversary of the Croatian National Day in the following way: "It was a splendid week." Let us make it clear. It began with a military parade on Jarun Lake in Zagreb and it concluded with an exhibition of military equipment at the Zagreb Fair. The weapons seen on both occasions changed the picture about Croatia and its military power.

Few people outside of the Croatian military structures know how much work there is behind these shows. It has been done in silence (and this is the only correct way) day and night on two parallel tracks: The Croatian military industry has been developed from a cooperation of private business and large state-owned companies (the same thing was done much earlier by Israel, for example), whereas the equipment Croatia badly needs at the moment, and which—for financial rather than technological reasons—cannot be manufactured by the domestic industry yet, has been bought abroad with the patience of an archaeologist.

"The 7-Mile Jump"

Out of the weapons exhibited in the shows, two kinds of weapons of strategic importance not only for Croatia, but also for its neighborhood should be pointed out: The Croatian missile arsenal, and the manufacturing of those types of tank that have been adapted to the Croatian climate and the characteristics of its diversified terrain. The development of the Croatian missile arsenal can be considered "a 7-mile jump." In the development of this sector of the military forces, the following formula was applied: Domestic intellect, the connection of private capital with the state-owned industrial facilities, reliable foreign sources and suppliers, and the use of the inherited and seized military equipment.

The middle and long-range missiles of the Croatian Air Defense are the main element in the defense of all important objects on Croatian territory. Two ground-to-air missiles of the SAM-2 type (the Volhov system) presented at the military parade clearly show the adopted concept: The improved version of the SAM-2M was bought—the Volhov-3M if we want to use the original Russian name. This basic model was then improved in various ways. The same thing was done with all other ground-to-air systems. These improvements will enable the Croatian Air Defense to shoot at several targets at the same time, to combine various types of missile guidance, to enhance the mobility of its system, to improve the destruction score of the targets in the air, and to better protect itself from enemy disturbances.

Range Up to 300 Km

The circle was closed by the purchase of the long-range SAM-10 Grumble system in several versions (S-300 PMU, S-300 PMU-1, and S-300 V). Croatia has finally completed the system for the defense of its skies. It now has multipurpose missile systems for tactical and operation purposes that, apart from aerodynamic aircraft, successfully destroy ballistic and other missiles too. All these systems are equipped with three-dimensional radar for the detection and observance of targets within a 300-km range, which can also process the data about the target. In other words, Croatia has now got what it urgently needs. These mobile systems with vertical missile launching are equipped with observing radar for circular and sectional observance of the air space, with a station for missile guidance, and with 6 to 12 launching vehicles with radars for the illumination of targets in the air space.

By combining the observance radars from the three versions of the S-300 system, the Croatian Air Defense can, at the same time, discover up to 200 targets in its air space, follow 70 simultaneously, and select 12 to 24 targets to shoot at, which depends on the number of weapons launched, on the condition that two missiles are guided at the same time to the same target, which is a very important advantage compared to other systems of the same category.

Since the whole process of combat activities is automated (owing to the application of high-performance computers), the range of destruction (in horizontal shooting at aerodynamic aircraft) is 100 km, whereas the range within which ballistic missiles can be shot down

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is 40 km. The minimum altitude at which the Croatian Air Defense can act is as low as 25 meters above the ground or water, which applies for all types of aircraft, and 2,000 meters for ballistic ground-to-ground missiles. The maximum altitude at which it can be used against aircraft is 30 km, whereas the limit for activities against ballistic missiles is 25 km. There is another advantage: The time necessary for the preparation of the system for combat activities is approximately 40 seconds, and missiles can be prepared for launching in 15 seconds. The time necessary for the adaptation of a missile system from the operative state into a state of combat readiness and vice versa is around 5 minutes.

The possibilities of the Croatian missiles do not end here, however. Parallel with these achievements, the development of domestic missiles and the perfection of the Russian and Swedish coast-to-sea and sea-to-sea (ship-to-ship) missiles is also under way, as well as the adoption of a very ambitions project for the development of a Croatian cruise missile (from the IB-94 system "Uragan," which was incorrectly presented in the Croatian press as a ground-to-ground missile), which is launched from a launching pad on land and has great maneuvering possibilities and great precision in shooting at targets within a range of between 350 and 400 km. [passage omitted]

Martic Demands Transport of Goods via FRY

AU0806154195 Knin Srpski Radio Krajina Network in Serbo-Croatian 1400 GMT 7 Jun 95

[FBIS Translated Text] Yesterday's letter of RSK President Milan Martic to UN Secretary General Butrus-Ghali and the UN Security Council chairman demands that the Security Council adopt a decision to enable a transit of goods between eastern and western parts of the Republic of Serb Krajina via the territory of the FRY, stated President Martic's office today.

Explaining his demand, the RSK president reminded that the Republic of Serb Krajina signed a cease-fire agreement as well as an economic agreement with Croatia. Croatia intentionally and forcefully rescinded those agreements with an act of aggression against the Republic of Serb Krajina in western Slavonia, thereby preventing the Republic of Serb Krajina from using the highway for its purposes altogether, states the letter of the RSK President Milan Martic to the UN secretary general and to the UN Security Council chairman. Furthermore, the letter points out that Croatia alone is to blame for the present situation. The recent developments have forced the Republic of Serb Krajina to seek alternative ways to connect its divided territory. Considering the situation on the ground, the only alternative is the transport of goods via FRY, via the Racan border crossing, emphasizes President Martic.

A favorable decision of the Security Council could lead to positive results in the peace process on the territory of former Yugoslavia which hangs in the balance, ends President Martic's letter addressed to the UN secretary general and Security Council chairman.

RSK Government Views Refugees, Defense

AU0606105695 Belgrade POLITIKA in Serbo-Croatian 5 Jun 95 p 7

[Article by "R.K.": "Krajina Government To Hold Session in Erdut"]

[FBIS Translated Excerpt] The Government of the Republic of Serbian Krajina [RSK] will act in accordance with its constitutional obligations and authority until (if) the new cabinet is elected. However, it will also insist that RSK President Milan Martic account for the military fall of western Slavonia!

That, in brief, is the reaction of Krajina Prime Minister Borislav Mikelic to Martic's proposal yesterday that the government continues to work even after the no-confidence vote at the last session of the RSK Assembly. To recap, Martic proposed an agreement about the functioning of the executive powers in the RSK and examination of the political situation in the country to Mikelic.

"I have called a session of the RSK Government for 6 June in Erdut to debate the problems of the refugees who are still arriving from western Slavonia. The refugees should be accommodated in the free parts of the RSK. We will also discuss the functioning of the defense, and some other issues," Mikelic told POLITIKA. [passage omitted]

"Basically, Milan Martic must realize that not a single assembly or any other institution in the RSK can relieve him of responsibility for the catastrophe of western Slavonia and the misfortune of that segment of the Serbian people," Mikelic emphasizes. "However, the RSK President continues to make moves that show that he has learned nothing from past events. General Celeketic, who was formally replaced in the post of the General Staff commander after the defeat of the West Slavonia Corps, Martic immediately appointed the chief of the War Cabinet, as he had done with the ousted police minister Prijic a few months earlier. In this way Martic is covering up responsibility for western Slavonia," Mikelic believes.

The action of Milan Martic and Dr. Milan Babic for the imminent unification of the Serbian Republic and

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the RSK, which is obviously not happening, has caused new divisions in the RSK, for which these two Krajina leaders are the most responsible, Mikelic concludes.

'Conflicts' in RSK Politics Examined

AU2905141695 Belgrade VREME in Serbo-Croatian 22 May 95 pp 14-18

[Article by Filip Svarm: "The Sunset of a Regime"]

[FBIS Translated Text] When the first Croatian shell "banged" in western Slavonia on 1 May at 0530, the power in Krajina started to spin among the constantly discordant Krajina leaders. This spinning, which has gone on ever since, is expected to stop, at least to a certain extent, at the session of Krajina Assembly in Borovo Selo (it should be held on 18 May). Many believe that the true effect and consequences of the Croatian military action are only about to be revealed, depending on which of the three antagonistic leaders wins, i.e. which of them is given the responsibility for the defeat in western Slavonia and all that followed. Or rather, this will set the policy of official Knin in the days to come.

If Krajina President Milan Martic keeps and increases his power, it will result in new attempts at hurried unification with the Bosnian Serbs and, most probably, in the escalation of conflicts. After all, Martic himself explained, in his interview for THE NEW YORK TIMES: "That (western Slavonia) will open the eyes of those Serbs who believed that one could reach an agreement with the Croats. Now it is clear to all of us that the only option is in having our own state. (...) Now we are the ones to decide when and where to attack."

However, if Borislav Mikelic, the prime minister, first manages to limit Martic and then manages to marginalize him, the Krajina leadership will make no moves in future that have not been coordinated with official Belgrade.

Justified Fear

Finally—and this seems to be the most realistic prognosis—if the Krajina foreign minister and the leader of the strongest party of the region, the Serbian Democratic Party [SDS] of Krajina, Milan Babic, continues to fortify his power as he has been doing in the last year, it is certain that his pragmatic insistence on the statehood of Krajina after the Cyprus model will persist.

It is estimated that there will be no radical cadre changes at the session itself, because of the legislation of Krajina, which, in the present balance of power, does not provide for something like that. Changes in power should therefore be looked for on the concrete political ground, in the army and the police, as well as in control over the economy. However, if things remain the way they are, Krajina will most probably sink into total anarchy. Such omens have already occurred: At the rally in Knin, some 2,000 of Martic's most fanatic followers asked him to dismiss parliament and to take over all power in Krajina until the election of new authorities. Then, several hundred of them, lead by the coordination committee of the rally, broke into the premises of Knin Television. There, they beat the journalist Manda Vukovic and ousted the director, Dusan Badza. As Knin Radio reported, "Martic will have complete jurisdiction" over the Krajina television, until a new director is elected.

When the leaders square their accounts at the Assembly session in Beli Manastir, the delegates will be able to measure how powerful the forces that stand behind the main protagonists are.

Martic has the unconditional support of Pale, of the Serbian Radical Party [SRS], and, one might say, of a great part of the national opposition in Serbia. All of them together are accusing Belgrade of a lukewarm reaction, nearly a national betrayal, to the events in western Slavonia, and they are accusing Mikelic in particular because of his negotiations with Croatia. In the statement of the Serb Republic [RS], it is said that "after the events in western Slavonia, it is clear that Mikelic's political mission boiled down to the realization of a peaceful reintegration of Krajina into the constitutional system of Croatia," and Vojislav Seselj called the Krajina prime minister and Babic "traitorous forces that act on the direct instructions of the president of Serbia, Slobodan Milosevic." According to these supporters of martic, Krajina's only salvation lies in the unification of the "western Serb lands," and, after that, in uncompromising war until final victory.

But that is also where their support ends. No matter how encouraging the knowledge that they are not alone or without an ally might be for depressed Krajina people, it will be really hard for Martic to explain the passivity of the RS army, from which they expected so much. In that context, the statement by the command of the 1st Krajina Corps of the RS army, dated 1 May, which says that its forces have not been engaged in the battles in western Slavonia, and that they "do not intend to participate in them in any way" must have been a particularly defeat for them. All the later, militant statements by Radovan Karadzic, Momcilo Krajisnik, and Biljana Plavsic do not mean a lot.

Martic's Perspectives

Besides, the delegates will definitely remember that significant forces of the Krajina army were engaged when

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Bosnian Serbs tried to strangle the Bihac enclave, that they suffered major losses there, and that NATO airplanes bombed Udbina airport because of that help, and they will ask how the favor has been returned. Martic, unless he proves that the RS army was commanded by Mikelic himself, can offer only three explications for the passivity of his allies from Pale. First, the RS army was completely tied up in battles with the Army of Bosnia-Herzegovina; second, Gen. Ratko Mladic took the side of Belgrade, so he prevented any involvement, plotting with the Krajina prime minister; and third, Karadzic stopped the intervention of his army out of thoroughly inscrutable, but very relevant, higher political reasons (cynics say, so as not to endanger the deal with the Herzegovina Croats). All of these explanations are more than discouraging when it comes to entering any union with the Bosnian Serbs "for life and death," so that even Martic had to admit that the military alliance with the RS had failed completely, adding, however, that things had improved in the meantime.

When it comes to the Krajina army itself, it is more or less clear to the delegates that it cannot cope with the Croatian Army without any help from the RS and the FRY. The issue of the inadequacy of its 18th Corps is therefore more or less a side issue. The fatigue and depression of the Krajina war machine are so great that the defeat of western Slavonia might be repeated in some other part of Krajina as well.

Mikelic's Perspectives

The perspectives of the Krajina prime minister lie in the assumption that Belgrade will not desert Krajina without providing it with some sort of solution that would be acceptable for the Serbs there. It is most probably the "Z-4" plan. Namely, its acceptance would enable Milosevic to recognize Croatia, and at the same time "protect the Serbian people." In that way, he would satisfy both the international community and most of the public in Serbia. According to that interpretation, Mikelic is the main guarantee for Milosevic that something like that could be accomplished in Krajina. Therefore Borislav Mikelic wrote a letter to Dragan Tomic, president of the Serbian Assembly, in which he blamed Martic and Gen. Milan Celeketic for the fall of western Slavonia, but also the "Seselj-Djindjic-Kostunica [leaders of Serbian Radical Party, Democratic Party, and Democratic Party of Serbia] coalition, which, together with the Pale leadership, spread propaganda and pressure for the war option and for the breaking of the Agreement on Economic Relations, for the closing of the highway, and the rest of the war-agitating propaganda." The letter ends with the statement that "only through negotiations and the realization of what the international community will accept can peace be preserved." One might say, this is as close to the line of the official policy of Serbia as it possibly could be. Therefore one should not wonder at the angry reaction of the above-mentioned parties, whose delegates found this letter among the materials lying on their desks in the parliament. However, since it was there, the Krajina delegates need no clearer signal as to which side the powerful Belgrade is on.

Still, Mikelic is entering the parliament duel without his strongest weapon—control over the supplies from Serbia. As he stated himself, in four months, 140,000 metric tons of production materials and other goods came to Krajina from Serbia via the highway. Now, since the highway is closed to Krajina, that leaves only the Posavina corridor [through Bosnia], and that is under the firm control of Karadzic and Martic.

Therefore Mikelic will try to convince the delegates that no goods can come from Serbia without his blessing. Since all of them know well that the RS is not capable of helping itself, that is, they know how important the role of Krajina enterprises is in its supply system, there are big chances that they might conclude that it is counterproductive to remove the prime minister. There is no doubt that all those who decide on this in Belgrade will try to convince them.

Babic's Perspectives

Babic controls the Krajina parliament completely. Both Mikelic and Martic will try to account for themselves in front of the parliamentary majority from his party. The delegates from western Slavonia asked that the session be held in eastern Slavonia, "where the people of western Slavonia are," and it is obvious that Babic also finds it better for the session not to be held in Knin. Namely, in that way, he would avoid the rallying that has already happened under the direction of Martic: The demonstrators could break into the parliament in the same way they broke into the television station. Because of the influence of Belgrade, Mikelic also prefers the eastern Slavonia option.

All this indicates that Babic and Mikelic are closer to each other than to Martic. The attitude of Babic, who is not threatening with weapons or with retaliation, namely that the international community, if it wants to renew the peace process, must "first stop the Croatian war machinery," that is, it must "protect the Serbian people," is actually, more or less, in line with the official Belgrade. Thus, he protects his political credibility in Krajina, and imposes himself as a hard negotiator who demands concessions.

Still, it is hard to believe that, in the struggle outside the parliament, which is as important as the one in the

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parliament, the organized followers of Martic will be opposed by the same sort of followers of Mikelic and Babic. Martic hardly has any, Babic is aware that both the army and the police, which can be employed against the forces of "chaos and senselessness" at any moment, are in the president's hands. Are there any signs that something is changing there? The Krajina General Staff accepted the resignation of Gen. Celeketic, which he gave, as he stated, for moral reasons. As he said, although he had acted "in accordance with our doctrine of retaliation against vital targets of the enemy," (...) "the expected support from outside the Republic of Serbian Krajina did not come," and "there were also dirty political games by some individuals." From Martic's cabinet, one can discover that Celeketic primarily blames Mikelic; he thinks that it was according to his order that "other corps of the Serb army of Krajina did not act."

The resignation of Celeketic can also be interpreted in another way: Martic, if he still wants to count on military help from the FRY, sacrificed him precisely because of the mentioned "doctrine of retaliation," which the officials in Serbia strongly condemn. The new commander of the Krajina army, Gen. Milan Mrksic, the former second-in-command of the chief of General Staff for Special Forces in the Yugoslav Army, has still not publicly declared himself for Martic or for Mikelic.

[Box, pp 16-17]

Who's Who in Krajina

Power in Krajina is divided among three political groups, so to speak. They are represented by Milan Martic, the president; Borislav Mikelic, the prime minister; and Milan Babic, the leader of the SDS of Krajina. The differentiation between these groups has now been completed, after five years of cyclic conflicts between Krajina leaders. They usually escalated in crisis situations—both political and military—when the existing conditions in Krajina were endangered, that is, when solutions for their preservation had to be offered. The main arbiter in those conflicts has, so far, been official Belgrade; as for Krajina, it regularly emerged from these conflicts weakened.

The president: Until 4 August 1994, Martic considered himself to be a "temporary president" who would "hand over the presidential baton to the all-Serbian president, Slobodan Milosevic." After all, he owes his function and title of "the Krajina legend" to Milosevic.

After the breakup between Belgrade and Pale, until some time in March 1995, Martic, as a mediator, tried to "reconcile the divided brothers." Since those attempts remained futile, he then took the side of Radovan Karadzic and Vojislav Seselj [Serbian Radical Party leader], whom the Socialist Party of Serbia [SPS] calls a "war-agitating force outside Krajina."

Martic has no organized political force behind him, but the constitution authorizes him to "prevent chaos in the state." His strongholds are in the army, of which he is the commander in chief, and in the police, the members of which have been named "Marticevci" after him. He is oriented towards the unification with the Bosnian Serbs at any price (believing that, in that way, the unification with Serbia could also be accomplished) and he does everything to tie Krajina to them institutionally. He has no other ideas. He has never participated in any negotiations with Croatia.

The prime minister: Martic appointed Mikelic prime minister at the beginning of spring 1994, when he was very careful not make any moves that might spoil the idyll with the Serbian president. The prime minister then became the main negotiator for Krajina in talks with Zagreb as a part of the official "Serbo-Croatian normalization of relationships" (Serbia accepting any solution that Krajina and Croatia might reach). His influence increased significantly after August 1994: Although he did not speak out explicitly for a long time, ever since the breakup between Belgrade and Pale he has clearly been on the side of the Serbian president.

Mikelic, just like Martic, has no political party that would support him unconditionally. However, he is supported by Krajina businessmen, particularly those who trade with Serbia. The whole business, without which Krajina could not survive, is for the most part under his control, and that is his main asset in political duels.

Mikelic is considered to be the Krajina politician who Slobodan Milosevic trusts the most, and he is particularly close to the Yugoslav Associated Left Movement [JUL]. Facts that are now coming under the spotlight are that he did not emerge in the course of the first part of the Serbo-Croatian war (1991 and 1993), that he is not one of the founders of the SDS in the Krajina, and that he was well established in the communist system of former Yugoslavia (director of the "Gavrilovic" food combine) and later in the socialist regime of Serbia (the right hand of Mirko Marjanovic in the "Progres" company). He is responsible for the economic agreement between Krajina and Croatia, for the opening of the highway and, in general, for the breakthrough in negotiations between Krajina and Croatia.

The minister: When, on 1 March, Martic accused Mikelic of having acted in a criminal way and asked for his removal, seeing in him the main obstacle for further approaches to Pale, the prime minister received decisive support from Babic.

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After his conflict with Milosevic in 1991/1992, the foreign minister of Krajina has evolved considerably in the art of politics. In Krajina duels, he exclusively takes care of his own interests, cleverly using the frictions between the pro-Karadzic and the pro-Milosevic blocs, not allowing either of them to become dominant. For example, when Mikelic was at the peak of his power, Babic sent him a message saying that Krajina did not get much from the opening of the highway, but that "our brothers in the Serb Republic lost a lot through it." But, in the same way, he decidedly rejected the attempts of Martic and Seselj to persuade him to join them in ousting the prime minister (he even refused to meet Seselj at all).

He won in both cases: In the former, he increased his credibility as a fighter for Serbian unification; in the latter, he strengthened his position in the regime by getting two more ministers in the government, as a counterfavor from Mikelic. Babic's main stronghold is his SDS of Krajina (the strongest party in the parliament), and local authorities. He has no significant support in the army or the police like Martic, nor in official Belgrade like Mikelic. He commits himself in a pragmatic way for the statehood of Krajina, and he negotiates with Croatia exclusively in Knin. Many consider him to be the most powerful politician in Krajina.

RSK Army Commander on Croatian Army Actions

AU0606123195 Knin Srpski Radio Krajina Network in Serbo-Croatian 1400 GMT 5 Jun 95

[Recorded report by Irena Vujic]

[FBIS Translated Excerpt] The fifth session of the Municipal Assembly chaired by Milan Kalember held in Korenica viewed, among other things, the current military and political situation in the Korenica municipality and in the Republic of Serb Krajina. Irena (?Vujic) has a report from the Korenica Studio.

[Vujic] Reports were submitted by Lt. Stevo Sevo, commander of the Lika Corps, Nikola Tepavac, Interior Ministry Lika secretary, Milan Kalember, president of the Korenica Municipal Assembly, and Jovo Boric, Municipal Assembly secretary. Most deputies took part in the discussion, which lasted for several hours, examining concrete, day-to-day problems of the municipality's civilian and military authorities.

Still, most time was devoted to the process of unification of the two westernmost Serb lands and to RSK Assembly decisions that were once again unanimously supported by deputies.

Notwithstanding all the problems, the sitution in Korenica municipality was said to be satisfactory, for all state institutions are functioning normally in the state of emergency. The political climate is satisfactory and there are no party or other rifts. Illegal trade or black-marketing seems to be the biggest problem of all structures and the matter was discussed at great length. All deputies condemned illegal trade with the enemy and demanded that the authorities use all available and legal means to prevent smuggling, which causes immeasurable harm to the people of the Republic of Serb Krajina and the Serb Republic. [passage omitted]

After the discussion on this agenda item was finished, we asked the Lika Corps Commander Lt.Stevo Sevo to give us a brief statement about the latest aggression of the Croatian Army in the Dinara region and in the Grahovo municipality in the Serb Republic.

[Sevo] The area between Livno and Grahovo is very important to the army. The aggression of the Croatian Army in the region concerns the Republic of Serb Krajina as well. The aggression was committed mostly on the territory of the Serb Republic, but some forces have also attacked the Republic of Serb Krajina.

So far, the Ustashas have not seized a single building on the territory of the Republic of Serb Krajina. However, they did have initial successes in some areas of the Serb Republic. I hope that the Army of the Serb Republic, in conjunction with the RSK army, will regain those areas.

Commentary: Little Chance of Serb Unification

AU0106085895 Zagreb VJESNIK in Serbo-Croatian 25 May 95 p 2

[Commentary by Ivica Marijacic: "Illusions of Angry Self-Styled Statesmen"]

[FBIS Translated Text] Croatian rebel Serbs pin all their hopes on the unification with fraternal Serbs in Bosnia-Herzegovina, believing that through this created and undivided self-styled state to the west of the Drina River they will easily keep what they gained in the war.

Recently meetings have been taking place in the occupied areas, directed by Martic. Support for Martic is being expressed, while Babic, and particularly Mikelic, are without restraint being called thieves. "Such thieves have no equal," the speakers are saying. For the politicians of their krajina they say that they fled to Belgrade, that they have taken their families to "safe" places, but "we'll find them there, because they have stolen firewood and oil, and they give soldiers here a 30 dinars salary. We are not cattle to be cheated," the speakers at the meetings bitterly say. It is Goran Opacic, called Klempo, a "hero" of meritorious fate,

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who says that. Everybody remembers a bearded chetnik who in Bratiskovci, at the beginning of the war, posed with a broad smile and a cartridge belt. He distinguished himself in the crimes committed on Croats in the Benkovac area. He lost his sight in the Maslenica action afterwards, completely in one eye, and 60 percent in the other. Later on, disappointed, he continued to raid Benkovac with his gang. Now, he appears at the meetings supporting Martic. A thief shouts, catch the thief.

Obviously tottering and shaken after the unexpected and serious defeat in western Slavonia, the Serbs accuse themselves mutually and do not choose words when they do that. Martic wants to get out of the mess as an indisputable victor and to shift all the responsibility to the others. All this is the result, according to him, of growing criminal activities in the society, of which Mikelic is a personification.

Now, Martic offers to his hopeless people a new trick in the shape of the unification with the so-called Serb Republic. Namely, Bosnian and Croatian chetniks have so far been united in almost all points. When there was war in Croatia, Bosnian chetniks hurried to help their brothers in Croatia, and when there was war in Bosnia-Herzegovina, Martic's hordes assisted the occupation of Bosnia. However, it is no longer like in the beginning of the 1990's. When there is war, it occurs simultaneously in Croatia and in Bosnia-Herzegovina, so that Karadzic's chetniks have more than enough gory jobs in their own back yard.

Nobody should be concerned or excited about the announced unification of the two self-styled states, because it will not strengthen their cooperation, it will only create an illusion that they are stronger standing together. As was seen in western Slavonia, there is no cooperation, not because Karadzic would not help, but because he has not finished his job in Bosnia. Moreover, as times goes by, a Serb does not go gladly into the war against the Croats. There have been too many lectures so far.

As matters stand now, it is out of the question that Serb radicalism would soften. Their rhetoric is still full of hatred and resistance to peaceful reintegration. Therefore, sooner or later, Martic should be given another lecture like it was "Bljesak" [Flash].

Commentary Condemns Bosnian Serb 'Terrorism'

AU0506064795 Zagreb VJESNIK in Serbo-Croatian 31 May 95 p 12

[Commentary by Fran Visnar: "The Culmination of a Well-Thought-Out Plan"]

[FBIS Translated Excerpt] We are witnessing the highest degree of parastate terrorism, which has already gone too far. For months, the Bosnian Serbs tracked carefully the movements of high-ranking officials of the government of Bosnia-Herzegovina. Their soldiers had only one command: "Intercept and kill!" In the case of Irfan Ljubijankic, the foreign minister, they utilized the fact that he was travelling on a slow transport helicopter (which is primarily used for transporting soldiers and war and medical materials), at which they fired a guided ground-to-air missile ("of a heavier category"), in order to make a direct lethal shot. This part of the task was performed by the rebel Croatian Serbs.

From a mobile caterpillar-type SAM-6 antiaircraft system (KUB according to the Russian terminology), they fired at least one missile at the Mi-8 helicopter (of Russian origin with a three-member Russian crew). Since the KUB is characterized by the semiactive missile guidance system and the ability to hit targets even if they are flying at altitudes of only 50 meters, the catastrophe could not have been prevented despite the exceptional skills of the pilot. Although the Russian pilots on the helicopter were very experienced (they were flying low in order to avoid Serbian radar), an almost-6-meter-long KUB missile weighting 580 kg, with a 80-kg warhead, and a maximum speed of Mach 2.5 blew the helicopter into pieces, killing the passengers and the crew. Irfan Ljubijankic's murder was the culmination of well-thought-out terrorism ordered by the highest ranking military and political leaders. This crime was committed deliberately at the moment when the Bosnian Serbs, according to the Vukovar model, had started total war against civilians in Bosnia-Herzegovina and a round of kidnapping of UN peace-keeping force members, taking the most militant terrorist groups from the Arab world as their model. The Serbs went further, however. [passage omitted]

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CE Official Views Minorities, Greece

AU0806202995 Skopje MIC in English 8 Jun 95

[FBIS Transcribed Text] "Macedonia's [The Former Yugoslav Republic of Macedonia—FYROM] membership in the Council of Europe [CE] is an important step for the progress of the country, and this question must not be the issue of dispute between the Macedonian political subjects," Miguel Angel Martinez, the president of the parliamentary Assembly of the Council of Europe, stated at today's press conference, prior to his departure for Sofia, MAKPRESS reports.

The report of the Rapporteurs on Macedonia will be reviewed at the September session of the parliamentary Assembly, which will be followed by a recommendation for accession, and the final decision will be made by the Minister's Committee of the Council of Europe. A couple more final steps are left for entering the processes of European integration, and they, according to Martinez, round off the legal system, the signing of the Convention on human rights, national minorities, and the Declaration for local self-government of the Council of Europe.

Stojan Andov, chairman of the Macedonian parliament, assessed Miguel Martinez' visit as very important, while the signing of the mentioned agreements by Macedonia is entirely certain.

Regarding Mr. Martinez' views on the participation of the national minorities in the state institutions, he said that it should be improved, and stressed: "However, the question of participation of women in parliament and the other state institutions is more important to me."

The Convention on national minorities of the Council of Europe is signed by 26 members of the Council (out of 34), so far. The signing procedure is underway in several countries, with the exception of France and the Czech Republic, which refuse to sign the agreement, insisting on the respect of individual rights, on account of the collective ones.

The signing of the Council of Europe conventions, according to Martinez, implies the legal implementation of the decrees, while the competent European courts are becoming competent for the implementation of the signed agreements. Although disagreeing with the Greek embargo on Macedonia, Martinez characterized Greece as a democratic country that is of great importance for the stability in the region.

"Thus, I feel that the accession of Macedonia in the Council of Europe must not be regarded as a step toward destabilization of the region. To the contrary," the president of the parliamentary Assembly of the Council of Europe said at today's press conference.

Article Views Coming Negotiations With Greece

AU0806124595 Skopje NOVA MAKEDONIJA in Macedonian 8 Jun 95 p 2

[Article by Nevenka Mitrevska: "Blank Cartridge That Must Be Used"]

[FBIS Translated Text] The Greek mass media have defined 10 June as the day on which Macedonian-Greek negotiations start. Although the date is approaching, negotiations are far away. According to information from New York, the reason why the latest initiative of the two mediators, Cyrus Vance and Matthew Nemitz, for creating conditions for an equal dialogue in an atmosphere that will guarantee a positive outcome is at a standstill is because Greece is late in giving a reply. Nevertheless, during the consultations that were held in Rome at the end of last month by the two mediators, even President of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] Kiro Gligorov asserted that now even Greece shows signs of willingness for negotiations.

The news from Athens about a real breach on the Greek political scene regarding the "Macedonian question" testifies to the fact that this time it is not just a matter of the well-known Greek tactic of "intentionally prolonging" every initiative for negotiations. But after all the accusations and complications that have been made by the socialist government of Andreas Papandreou, it will certainly not be easy to save one's face and sit at a negotiating table with a country whose constitutional and provisional name in the United Nations is Macedonia, as well as to give up the blockade on the common border, which is being used as a subject for bargaining. It is true that such political acrobatics are not unthinkable, at least not here in the Balkans. If he is really interested in negotiations, Papandreou has only to copy his friend Milosevic—who, from a war instigator and international enemy number one turned into a peace-maker overnight—and "transform" himself.

The actual situation in the region forces not only Greece, but also all sides "involved" in the Macedonian-Greek dispute, including the United Nations and the United States, to be really interested in its resolution and in a relaxation of the tensions in the south of the Balkans, thus counterbalancing the latest instigation of the Bosnian crisis. Faced with the apparent failure of the peace mission in Bosnia and Croatia, the United Nations certainly wants at least this preventive experiment in Macedonia and the peace mediation of Cyrus Vance to be crowned with success. Moreover, the alternative options that are now in progress—retreat of the Blue Helmets from the warring camps and (or) punishing interventions of NATO in Bosnia—impose on Greece

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the role of, at least, a base for support to the Western alliance, which implies unobstructed traffic across the Macedonian-Greek border.

The interests of the United States as a leading NATO country are, in this case, identical with the interests of the United Nations. Washington long ago defined its interest in keeping peace in the south of the Balkans, bolstering it by sending a symbolic number of soldiers to patrol the Macedonian-Serbian border within the UN mission. A possible resolution of the Macedonia-Greek dispute could well serve the U.S. Administration in the pre-election campaign as an argument for quieting the domestic critics who reprimand the United States for insufficient resoluteness and an unchanged foreign policy. It will be of particular benefit if this agreement is placed in the context of the now visible results of the U.S. mediation between Israel and the Arabs, as well as of the unproductive, but spectacular signing of the agreement on the Bosnian—Croat federation.

The instigation of the Bosnian crisis, particularly its dubious development, forces our southern neighbor to redefine its position with great seriousness. The traditional friendship with the Serbs does not exclude the duty (and interest) of Greece toward NATO. The same will happen if diplomacy prevails in Bosnia and if Milosevic succeeds in obtaining a suspension of the international sanctions in his current bargaining with the Americans. In that case, the north-east corridor will start to function and Greece will be unable to maintain its blockade against Macedonia. Athens's willingness to negotiate is certainly a result of the strong pressure that it has been exposed to, not only by small and medium enterprises particularly in the north of the country, but also by some powerful companies that are strongly affected by the consequences of the blockade that was in the first place devised to destroy the destruction of the Macedonian economy. There is no doubt that if it agrees to negotiate and possibly sign an agreement with Macedonia, Greece will be generously rewarded by its partners and allies. The sound of money, as we know, is the language that the Greek ear understands better than its own language.

Having the experience, as Macedonia's President has recently stated, of the numerous disappointments concerning the negotiations with Greece, the Republic of Macedonia is expecting the further development of the events with great interest and calm. Macedonia's interest for normalizing relations with Greece does not start and end with the lifting of the blockade on the southern border or with the situation in Bosnia. The resolution of the dispute will facilitate a gradual removal of a whole spectrum of questions from the agenda that has been so far obstructed by Greece. The final obstacle for the establishment of full diplomatic relations between Macedonia and Washington will also be removed. Macedonia will then be officially accepted in the NATO program Partnership for Peace. A road for the association of our country with the European Union will be opened by signing an agreement on cooperation. The Greek opposition to Macedonia's admission to the OSCE and to other international organizations and institutions will be gone. Our Balkan surroundings will be greatly relaxed, because after a normalization of relations with not only Greece, but also the other countries' strategies—to the north and south—for any kind of "confederation" of Macedonia will end.

Normally, this can happen only if the piece of paper that has to be signed at the end of the negotiations is not just an agreement for the sake of an agreement, similar to the already mentioned Bosnian-Croat federation. Macedonia insists on an accurate definition of the practical attitudes of the two sides in future mutual communications in order to avoid Macedonia from being faced with a whole range of Greek whims once Athens is no longer bothered after the Macedonian-Greek dispute has been removed from the UN Security Council agenda.

What will Macedonia give in return for such an agreement, particularly for the expected results?

It will give as much as it has to during the negotiations for the sake of finding solutions that will be acceptable to the two sides. The fact that the name will not be a subject of the future negotiations (if there are any negotiations at all) leaves only technical and practical questions for discussions, which will sometimes require concessions, other times interpretations or clarifications, if they are to be solved. Actually, to reveal possible concessions before the beginning of the negotiations can only weaken one's own negotiating position.

NDP's Radical Albanian Leaning Examined

AU0806122395 Skopje NOVA MAKEDONIJA in Macedonian 3 Jun 95 p 15

[Article by Saso Colakovski: "A Seven-League Step. Backward!"]

[FBIS Translated Text] The compass for political reality is a wonderful device. It is a barometer for taking the political pulse—one's own and surrounding ones—too. If a party is not equipped with such an instrument it will undoubtedly find itself deep in the political province, encircled by its own self-sufficiency. If, moreover, the most rudimentary national romanticism—which will not be easily accepted by even the most backward of countries, let alone Europe—is added to this, political

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shipwreck remains as the only alternative for the party ship.

This is exactly what has happened with the People's Democratic Party from Tetovo [NDP], after all that was seen and heard at the party's first Congress, which was held a week ago. The wheel of the NDP ship, which is floating in radical and nationalist waters, is still held by its old-new helmsman Ilijaz Halimi, the man with a federal vision for Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], the state in which he lives. Actually, the question is whether he wants to live in this state at all or whether he prefers to live in another state but without moving away.

For the sake of providing arguments: Tetovo, Macedonia, NDP Congress: At the Congress—"Albanian nation," "referendum on political and territorial autonomy of the Albanians," a flag with a two-headed black eagle on a red ground, and the anthem of the Republic of Albania, "former Yugoslav Republic of Macedonia," "university...." Is anything more required? The Macedonian language could only be heard outside the building of the House of Culture. Let me remind you: All this was going on in Tetovo, and not Tirana, Drac, or Elbasan [Albania].

Nationalistic Scissors

Political labelling is not a noble thing to do simply because of the well-known definition of policy and what it flirts with. At certain times, however it serves a proper distinguishing function. The NDP has been labeled "radical, extremist, and nationalist" since it was formed in 1990. There was a good reason. At that time, the party folklore, which frequently cast its eye beyond the western Macedonian border, was described as a good scenario for inciting emotions.

In 1992 the NDP had problems with its program orientation, about which the Macedonian Constitutional Court was also intrigued. In the Party Declaration, which served as a program, violent change of the constitutional order was called for, there was a request for recognition of the Albanian population in Yugoslavia as a nation, as an "expression of freedom and the right to national determination, self-determination, and the right to secede from the totalitarian and assimilatory pan-Slavic slavery." Of course, this cannot be accomplished without an attack on the territorial integrity of Macedonia. The NDP ..."will find the solution in the all-National association and formation of a unique Albanian state in the Balkans," although the NDP leaders know perfectly well that it is one thing to talk about human rights in a democratic state, to talk about the status of a national minority and use the institutions of the system for this purpose (as we are accustomed to saying), while it is a totally different matter to shape the state and territorial establishment by using nationalist scissors. This is exactly what the concrete efforts for the phantom "Ilirida" represent. The NDP position that was firmly defined at the Congress is that federalization of Macedonia and autonomy to "Ilirida" is the minimum that has to be given to the "Albanian nation" in the Republic of Macedonia. What can possibly be the maximum?

Swiss Model

One of the NDP's activities is its negative reaction, which is completely unfounded and the consequence solely of national blindness and twisted spectacles, to the result of the census, which, by the way, was done under the control of international observers. The goal is to promote one's own projection about the size of the Albanian population in our state. Their initiative for the political rehabilitation of Ballists [fascist collaborators] like Dzemo Hasa and some of his kind was also characteristic. Later on, they intensified the promotion of candidates and political platforms in the pre-election period in which the NDP leadership, headed by Halimi, found it appropriate to repeat to the "Albanian electorate" in the state that it sees the happiness of Macedonia in its "federalization" or cantonization according to the Swiss model. The cheap and easily spotted marketing tricks that, fortunately, were accepted only by a number of hotheads, provided the NDP, which hoped for 80 percent of the votes of Albanians, with only four seats in parliament. The election fiasco and the intolerant and indisposed NDP leadership forced two members of parliament—Mersel Biljali and Abdulnadi Vejseli—to abandon the party ranks and look for their political future in a "softer" option. Moreover, as Halimi told the congress, he sees the NDP's engagement in "Tetovo university as an essential requirement of the Albanians in Macedonia." He went on and said: "Without any political motives or goals!" Can this gentleman of Swiss provenence see any crazy and confused people in this state?

At the congress the initiative for a Tirana-Tetovo-Pristina axis was suggested as the proper way to solve the "global Albanian question." The intonation becomes even more serious if we take into account the fact that the representative of the Albanian Embassy in Macedonia welcomed this, as well as some guests from many parts of that country, including those of the "Republic of Kosovo," and even the representative of the Islamic Religious Community in the Republic of Macedonia. The same context is to be found also in the Congress resolution in which a solution for the Albanian question on the territories of former Yugoslavia is offered. For the NDP the solution is "to

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recognize Kosovo as an independent and neutral state, to guarantee statehood to the Albanians in the Republic of Macedonia, to give autonomy and national rights to the Albanians in Presevo, Bujanovac, and Medvedje in Montenegro." Apparently, someone has mixed up things pretty well!

Finally, beside the negation and non-recognition of the state and Constitution, the paradox is even greater when the NDP demands new early elections. For what, for where?

It is very important to be able to get out of one's own narrow-mindedness and admit one's own mistakes. There are obviously neither enough forces nor desires for this within the NDP. The party has definitely taken a seven-league step with its first congress. Backward! Toward its own limitation. The step that the state must absolutely undertake now is to review the registration of the extremist nationalist and totally radical stances and initiatives that are firmly backed by the NDP.

Assembly Adopts Law on Military Academy

AU0806190295 Skopje MIC in English 8 Jun 95

[FBIS Transcribed Text] A Law on Military Academy, the first of its kind in the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] (after the gaining of independence), was adopted in the Macedonian parliament yesterday. The Military Academy will start in September, the studies will last four years, and the graduating cadets will automatically obtain the rank of second lieutenant. As Defense Minister Blagoj Handziski stressed in his discussion, the Academy will have a positive effect on overcoming the present unfavorable age structure of the officer personnel, as well as on fulfilling the conditions for equal membership in the collective systems of defense and inclusion in the new European security project.

The Law on Military Academy was passed with 63 votes in favor, while the PDP [Party for Democratic Prosperity] MPs were against. The independent MPs Mersel Biljali and Hisen Ramadani remarked in their discussions that the nationality structure was neglected, and offered the introduction of admission quotas as a solution.

Parliament also passed the amendments to the Defense Law, according to which the fines are raised, in conformity with the Law of Torts.

Despite the warning of Ratka Kuljan from the SDSM [Social Democratic Alliance of Macedonia] for the Law on Transplantation not to enter yesterday's daily agenda, the MPs adopted this law, without any discussion whatsoever. According to the law, parts of the body of a deceased person can be taken for means of transplantation, provided the deceased did not have anything against, while he was alive. In her discussion, Kuljan disagreed with this legal solution, emphasizing that it violates human and custom rights.

The Minister of Health Ilija Filipce said, in defense of the law, that it only eases and regulates the transplantation procedure. Another law also adopted in Parliament yesterday was the law on providing funds for sanation of the consequences of the earthquake in Bitola, Demir Hisar, Ohrid, and Resen. The government proposal to put aside two daily salaries for this purpose was accepted.

The broadest debate enfolded over the law on the debts of the Republic of Macedonia to the International Development Association, social reform and technical help, which was adopted in the end, after numerous remarks were voiced from the aspect of its realization, but also the pay-back of the funds. Parliament also passed the law on debts for the project for adaptation of the financial sector and the company, which was also the last item on the parliamentary agenda.

PDP Submits Interpellation on Television Head

AU0806203095 Skopje MIC in English 8 Jun 95

[FBIS Transcribed Text] On Tuesday, for the first time in this mandate, the Macedonian Parliament had its first interpellation. Namely, the PDP [Party for Democratic Propserity] parliamentary group submitted an interpellation on Melpomeni Korneti, general director of the Macedonian Radio Television. The PDP parliamentarians say, among the rest, that they are disappointed over the fact that the inter-party agreement between the then coalition partners (last fall) on the distribution of the managing positions in this information house, is not upheld. Namely, it was agreed for the Liberals to get the position of general director of MTV, the Social-Democrats got the managing position of the TV, while PDP was promised the position of deputy general director. According to the PDP parliamentary group, they have still not received anything from this "gentleman's" agreement, at least as far as their part of the cake is concerned. Furthermore, they claim "not only was this agreement not respected, but the last drop in the glass was the fact that the General Director Melpomeni Korneti appointed Hisni Shakiri top man of the television program in Albanian language, thereby damaging their interests. He does not fulfill our criteria and is not suitable for that position," they say.

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Prime Minister Oleksy Addresses Sejm

LD0906091595 Warsaw Polskie Radio First Program Network in Polish 0738 GMT 8 Jun 95

[Address by Polish Prime Minister Jozef Oleksey to a session of the Sejm in Warsaw—live]

[FBIS Translated Text] Mr. Speaker, may it please the House, exactly three months have passed since the House appointed me the Chairman of the Council of Ministers. It was a change within the same coalition of the Polish Peasant Party and the Democratic Left Alliance. I then declared the will to lead the Council of Ministers in such a way that it enjoyed confidence not by the members of the coalition alone, that it will be open in searching for agreement with everybody who can and want to contribute with the expertise and experience to prepare solutions, that it will not be in opposition to any constructive idea and on issues important to the country, and in future it will not avoid exchange of views and consultations with both parliamentary and nonparliamentarian opposition.

I then clearly expressed my deep conviction that the coalition was not governing for itself, but for the public good. The public, however, impatiently await their problems to be solved and the Polish state needs stability and development very much. Being true to these convictions, I want to present to the House today a report on the state so far on the implementation of the government program, and to present basic problems the Council of Ministers is facing. I am doing this with more determination as the recent days confirmed the existence of a socially dangerous information vacuum between the content of publicly formulated assessments and demands, and the real state of the government's work.

As with every phenomenon, this one also has several reasons behind it. For some of them the government is undoubtedly still to blame. It is difficult, however, not to note here that the media have failed to give the public a sufficient chance to become acquainted with the state of resolving the affairs in the country. It is difficult not to note that such a situation has an impact on an unfounded impression, still prevailing in some groups, that problems and demands have not been considered and dealt with. Only a few days after the appointment of this government public accusations of inaction appeared and protest actions were announced. Different quarters accuse the government all the time of delaying reforms or of departing from preelection pledges by the coalition. I want to assure the House that the government implements the program presented in my expose, and we are deeply convinced about its consistence with both the objective needs of Polish transformations and the needs of millions of Poles. Particular elements of this program were allocated as concrete tasks and a timetable for their implementation was made public. I only want to recall that the main priorities of this program are connected with the security of the citizens and the economic turnover, with the political and economic sovereignty of Poland, with permanent economic growth, with the cultural and civilizational development of society, with equality and stability of condition for economic activity, with justice in social life, the reforms of social services, and with building a citizen-friendly democratic state of law.

Some of the actions have been based on projects started by the Waldemar Pawlak government and others go back even further. Some of them, essentially, require more time and work exceeding the period of the current year. All of them, directly or indirectly, influence the conditions of living and work, as well as the security of Polish families. Some of the tasks have already been dealt with in the shape of concrete decisions, organizational solutions, as well as legislative initiatives. The government has prepared and is introducing the whole package of actions aimed at increasing the citizens' security. Personnel changes in the police force have been carried out. New links in the structure of police and the State Protection Office [UOP] have been set up. Immediate aid from the budget has been directed at the fight against the organized crime. Successive moves in the fight against organized crime are being systematically considered by a special monitoring system. Among other things, they deal with the smuggling and thefts of vehicles, countermeasures against organized crime and criminal terrorism, and they ensure law and order in public places. During this session, the Sejm will be adopting a significantly important package of police laws that was made possible thanks to your, ladies and gentlemen, hard work, for which I am expressing my sincere thanks.

The government has finished work on drafts of systemic solutions connected with the commercialization and privatization of state enterprises. We have also defined our proposals concerning compensations for the loss of immovable assets illegally expropriated by the state after the Second World War. Legal solutions needed for the instituting of universal privatization in the form of the National Investment Funds, which the government prepared, require speedy decisions. We will not shy away from any useful discussion.

The industrial policy program until the end of 1997 has been redirected: It will increase the international competitiveness of Polish goods. It defines the principles of proexport policy, the increased innovatory nature of our industry, as well as ownership and organizational

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changes correlated with regional policy and infrastructure programs.

We hope that this program of industrial policy will become popular among economic communities, so that we will be able to take advantage of the opportunity and jointly define our next steps.

We have a program for the development of small and medium-sized enterprises. It contains solutions creating favorable conditions for the setting up and development of such companies, it suggests the possibilities for the reduction of risk of economic activity, for improving their competitiveness and financial services.

We have made decisions concerning the restructuring and ownership in various sectors of the economy, oil and tobacco industries included. Similar decisions will soon be made with regard the telecommunications and power industry.

The issues connected with housing, public housing included, and making credit services more efficient, have been on the government's agenda since day one. We have prepared rules for the support of housing and legal principles for an efficient financing and credits for owned housing property. Inexpensive public housing will be based upon a system of credits issued by the National Housing Fund.

In parallel to this, and addressing the postulates of [administrative] parishes and local government organizations, we have changed the regulations on the matter of subsidies for parishes for the extra financing of payments for housing benefit supplements. The Council of Ministers has adopted an entire package of legal acts, in which the sphere of turnover of goods with abroad has been regulated in comprehensive fashion. The Polish Customs Law will, as a result of these regulations, be subject to adaptation to European norms and will sanction our presence in the WTO [World Tourism Organization]. Comprehensive solutions serving to protect consumer rights have been prepared and adopted for implementation. They have a fundamental significance for the limitation of risk in acquiring goods that constitute a threat to health and life, and also the counteraction of dishonest practices applied by traders and producers. All opinions about the action and the practical effects of these solutions will be valuable to us. The government treats consumer protection as a matter accompanying the development of the market and counteracting its uncontrolled effects.

In recent days, the government has adopted the long expected draft law on the counteraction of drug addiction and the fight against the illegal trade in intoxicating mediums and hallucinogenic substances. In our conviction, it forms a consolidated system of preventative and educational actions, and also of legal norms that will constitute an important instrument for the counteraction of the social threats associated with narcotics.

May it please the House! Some of the tasks find themselves in the final phase of preparation for execution. Still this month, the government will present draft laws and programs associated with the active counteraction of unemployment, insurance against unemployment, systemic solutions regarding the organization and finance of health protection, education and higher education, and culture. Work on the Taxation Law, which is a unique code of regulations that I will hope put in order this, after all, so important area, finds itself in the completion phase.

In its activity hitherto, the government did not avoid taking up difficult matters, sidestepped in the past, and demanding solution with an eye to the future. Principles for the reform of social welfare insurance have been prepared and presented for social consultation. This is an exceptionally difficult program, the introduction of which will require accord between all political forces and trade union organizations. Work on reform of the central economic administration is seriously advanced, and the first version of this has been discussed at a meeting of the Council of Ministers. We do not intend to do anything here for show. We will simultaneously decisively seek that the process of reform not influence the activity of the state in a disorganizing fashion, that it touch upon the essence of the matter, and not be limited to changes of names and a reorganization of administrative structures. In the near future, a wider reform of public administration is planned, in the framework of the process of decentralization and the strengthening of local government bodies. The government is preparing for the implementation of the Law on the Civil Service. We have adopted, in accordance with announcements, a model of active action, shaped in strict association with the society-wide needs, and taking into account as far as possibilities allow, the needs of particular milieux and regions. It is my personal concern that no one who wishes to help himself, who has a rational idea for getting out of trouble without mechanically throwing this over onto others, be alone. For, there will not be any success for Poland, a success for us all, without success for particular people, work enterprises and milieux.

Starting from these assumptions, the government is continuing the enormous effort of the state budget, undertaken from 1993 onward, directed toward the support of restructuring processes in state enterprises and single entity state treasury companies, with the aim of adapting these entities to the needs of the market economy. We are laterally meeting, in public discussion,

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many accusations about a standstill, about a lack of ideas, and of a will to restructure. Certain sectors see their success solely on the side of the government. Sometimes, it is old thinking that returns, about the central resolution of everything. Certain people are starting to attribute to this government the entire blame for the problems of the old indebtedness of enterprises in consequence of the dividend payment and the law on the taxation of over the norm increases in remuneration. The government also sees the inadequate effectiveness of agreements with the banks, which are fortunately working ever better, and of conciliation activities. We are seeking new mechanisms.

Meanwhile, help is being granted for the welfare shielding of enterprise liquidations. It is necessary to recall that this program is constituted by, among others: Systemic procedures leading to the prevention of the execution of or else the remission of delayed taxation proceedings; compensation for dues from budgetary units with obligations toward the budget; shielding from the [word indistinct] fund; state treasury guarantees for credits drawn in domestic and foreign banks; export insurance for trade and nontrade risks; the restructuring of debt in relation to the Social Security Agency.

From these same factors there transpires budget support for regional programs. In particular, this applies to regions threatened by structural unemployment. In the years 1993-94, 315 trillion [old] zlotys were spent for this purpose. This year, the sum of 300 trillion [old] zlotys has been reserved. Additional budget subsidies are being directed toward the restructuring of industry. In the years 1993-94, 14 quadrillion old zlotys were allocated for this purpose. Separate sectoral programs are being started up for this purpose, including ones for hard-coal mining and for iron and steel production. Suffice it to recall that, in 1995 substantive subsidies to the sum of 352 million new zlotys are envisaged for mining, including 271 million new zlotys for the liquidation of hard-coal mines and social welfare shielding.

Recently, signals about the cumulation of problems in coalmining and in the entire Katowice Voivodship are increasing. We do not make light of these signals. In accordance with the expectation of the Sejm, in June, the government will present to parliament a report assessing policy and development, including the restructuring programs for the Lodz and Walbrzych Voivodships that were initiated by previous governments. Upon this basis and parallel to it, a new outline concept for regional policy will be prepared, which will, after adoption by the Council of Ministers still this month, shortly be implemented. In this way, the legal and institutional framework will be created for such undertakings as a regional contract for the Katowice Voivodship. Support for the implementation of this initiative is envisaged in the government program for industrial policy. The point is, in particular, to assure the appropriate harmonization of sectoral restructuring programs and the regional development program. For a number of months, a team of government experts has been participating in work on the contract and has supported the experts working in the Katowice Voivodship. Further work in this respect will now be run by the subcommittee of the Council of Ministers Economic Committee responsible for issues of regional policy. The chairman of this is Deputy Prime Minister Roman Jagielinski.

The government will favor the creation of, and will support, the implementation of regional economic policy programs. Social activity and entrepreneurship should focus around such programs. The idea of regional agreements cannot, however, be used to antagonize society.

May it please the House!

Presenting certain government actions today, my aim is not just to prove that all needs are sufficiently met. I am doing this because questions are being asked about what advantages Polish families have from the genuine success of the economic growth that has been going on for three consecutive years. It must be clearly said, however, that without the economic growth these actions will be impossible. They cannot be financed. For some it will mean the loss of work, for others it will mean overdue pay and termination payments. For others still it will mean the lack of possibility for taking loans needed for the maintenance and the development of manufacturing.

The consequence of a significant increase of manufacturing is, first and foremost, the improvement of the financial situation of enterprises. Still in 1993 the average net profitability of enterprises was minus 0.5 percent. In 1994 this rose to plus 1.7 percent, and after two months of this year it has reached 2.5 percent. Enterprises have begun to pay off their debts and to invest. This means that a considerable majority of employees in these enterprises can stop being worried about bankruptcies and unemployment. On the contrary, real pay has begun to grow; in 1994 by about five percent and after the first three months of this year by a further 1.5 percent.

The fall in unemployment means that 200,000 families began enjoying an extra income. The system of old age pensions indexation and a number of decisions by this government resulted in the fact that the real growth of the average pension was even higher than the increase in pay. In 1994 this growth came to over six percent, and in the first quarter of 1995 a further 6.5 percent.

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The improvement in the general economic situation of Poland does not translate automatically into the condition of the state budget. A considerable increase of budget revenue must be partly allocated for paying off loans taken in domestic and foreign banks. This is shown by a systematic reduction of the budget deficit. The remaining revenue surplus has to be allocated for the aforementioned restructurization processes and for writing off enterprises' debts, for citizens' aid and social welfare who live in poverty, as well as for pay increases in the public sector. It is worth remembering, irrespective of the personal attitude to the coalition and the present government. It is worth ensuring that this truth take roots in social awareness. This will make it easier to continue the reform process and to find one's own place in a new reality. It will enable a dialogue about issues that are still ahead of us. The government realizes that, although many millions of families have already begun to feel some improvement in living conditions, or at least stopped worrying about tomorrow, there are, however, a great numbers of citizens who cannot say the same about themselves.

With falling, but still running at 15 percent unemployment, the area of poverty is still significant. It also applies to a considerable number of farmers who were not excessively pampered by policies of former governments. The rest was done by repeated periods of drought. We realize this and are trying to concentrate resources and organizational actions on these areas. Among other things, the government continues to analyze how to reduce the tax burden on people who have especially low incomes. I am convinced that consistent care for the maintenance of a high rate of economic growth, which I will repeat once more is and remains the priority of this government, will allow for the gradual resolution of these painful problems.

May it please the House! Characterizing the state of implementation of the program intentions of the government, I wish to draw attention to three more components. First, to our activities directed toward assistance to those who for objective reasons have found themselves in a difficult life situation. This among other things, finds expression in drafts of legislative initiatives regarding the protection of employee claims in the case of the insolvency of the employer that were recently adopted by the government, and also in social assistance, including welfare benefits for a person completely incapable of working for reasons of invalidity arisen before the completion of 18 years of age.

Second, to our activities intended to give the appropriate rank to problems of families and children. A government plenipotentiary for family and women's affairs has been appointed. The principle is in force that drafts of all substantive pieces of legislation must be consulted with him. Final work is in progress on the preparation of a report on the state of the Polish family, which alongside a deepened diagnosis, will contain tasks for particular parts of the government administration.

Third, finally, I treat as exceptionally important, in my personal conviction, the organizational and program activities regarding regional policy and the development of rural areas. The problems of the multifunctional development of rural areas, the putting in order of the agricultural market, and the construction of its market exchange structures, the financial strengthening of the agricultural and food sector, and the development of small enterprise in the countryside, these are subjects for years of work. Nonetheless, we do not wish to defer this.

With this in mind, the government has implemented changes in the principles of the functioning of the Agricultural Restructuring and Modernization Agency, allowing for credit advances for small-scale enterprises, and has also created the mechanisms for making use of budget support for the creation of new places of work in the countryside that are not associated with agriculture. We wish to create in the countryside as many such new places of work as possible.

This does not change the fact that the discussion on the strategic transformation in Polish agriculture has not moved on. New impulses are required here, and undertakings to adapt this are all the more urgent the closer we are to membership of the European Union.

May it please the House! Speaking of the implementation of the government program, I wish to openly present the dilemmas that, in my conviction, are not and cannot be solely an internal matter for the government or else even for the coalition that constitutes its parliamentary base. Among the problems that require collective, public discussion, two issues are to the fore. The first is associated with the approach to the issue of budget discipline and the activities facilitating a significant reduction of inflation and the protection of the stability of money. The second is closely associated with the slogans of social property enfranchisement being put forward by the Independent Self-Governing Trade Union, Solidarity. This is about choice in matters of the privatization of state assets. The government has its own evaluations and proposals on these matters. We are simultaneously ready for talks and indispensable, substantively justified corrections.

The guidelines for social-economic policy for the year 1996, the direction of which was adopted at the last meeting of the Council of Ministers, contain an option

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prepared upon the basis of assumptions for an active state policy directed toward the maintenance of a high rate of economic growth, while making use of the tools of a policy favoring investment and favoring exports.

Of utmost importance to this option of development is the adoption of macroeconomic indicators as a base for budget provisions for 1996. In accordance with these indicators, the growth of the gross domestic product will reach between 5.3 and 5.5 percent. The deficit, measured by a share in the gross domestic product, will amount to 2.8 percent, the index of inflation will be at the level of 17 percent, and unemployment not higher than 14 percent.

The main challenge to the implementation of our plans is the urgent undertaking of temporary and long-term anti-inflation actions. The pace of inflation is too high. Actions taken in February of this year and later decisions aimed at curbing unjustified price rises and introducing a temporary ban on rising energy prices were not sufficient enough. We must not allow a spiral of inflation to unwind, as it will strike the most vital interests of manufacturers and consumers. It is difficult not to note that the public have no objective information on these issues.

First, beginning with 1990, every year inflation has been higher than planned, but at the same time, lower than in the previous year. Since this coalition came to power, inflation is also going down and it will be lower in 1995 than in the previous year. Agitation around this issue is unjustified and exaggerated. It is also harmful as it fans expectations leading to inflation.

Second, the reasons for higher than planned inflation are not located at one place alone, that is in the government. A part of the blame falls on the Polish National Bank, which is responsible for the monetary policy. There are also objective reasons. Nothing comes free in the economy. Favorable and necessary growth in export and foreign currency reserves, and investment growth have reached such a high pace that it created inflationary tensions. This is a well-known phenomenon and often recorded in other countries. Such inflation can be easily curbed by withdrawing preferences for export and investment. But the price to pay will be the slowing down of the production growth and new increase in unemployment. We already paid this price once in 1990-91.

I want to declare clearly and resolutely that the fight against inflation will be carried out with determination, but not at the price of a drop in production, higher unemployment, and unfavorable decisions concerning Polish agriculture. These are the provisions of an economic program of the coalition. [applause]

This is a part of the new strategy for Poland, the program of which is being currently expanded by subsequent points concerning housing policy, ecology, and the processes of integration with Europe. This public commitment is being implemented by the government.

Third, the government undertakes anti-inflation measures and it has recently adopted the whole package. They have been devised in such a way that the principle mentioned earlier will not be broken. This package contains a dozen or so decisions, the main one being greater rigorism in shaping budget deficit and financial discipline, reducing the extent to which the deficit is financed by the Central Bank, tighter control over prices set by monopolists, limiting rises in some prices set by the state, introducing some duty-free quotas on the import of food products and packaging.

As may be seen, these are varied activities. Nonetheless, some of the mass media are stubbornly making much solely of the duty-free import quotas, telling society that the main if not the only figure to be blamed for the higher than envisaged inflation is the Polish farmer, who is presented as a rapacious producer, constantly lifting prices. This is an exceptionally unjust and dishonest way of presenting the issue. [applause]

The government does not put its name to such statements and it will not. It is true that the retail prices of certain food articles are growing rather too quickly. It is however also clear that intermediaries and retailers have a significant part in this, exploiting the constantly inadequate development of the agricultural and food market. The duty-free import quotas adopted by the Council of Ministers and the mode of their exploitation are precisely intended to bring about the adaptation of retail prices to the reduction of the profits of intermediaries. In case of need, the action of this instrument may be limited. Thus, where and why do we get these alarmist tones? Unfortunately, as is so often the case in such instances, the aim is perhaps political. The point is to place the countryside in opposition to the towns, and perhaps to make the coalition partners differ.

The government counts upon the support of the esteemed chamber on matters of the implementation of the anti-inflationary program. From among the issues requiring the making of a choice, I also wish to take up the matter of the method of associating the privatization of state assets with the fulfillment of state obligations toward citizens which happen to be in arrears. In the expose which I presented to the esteemed chamber in March, I proposed the exploitation of privatized assets for the fulfillment of obligations in arrears, which constitute the consequence of rulings by the Constitutional Tribunal, so as to resolve the problem of compensation

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for property expropriated in the past, with transgression of the law, and also for the creation of special funds for the needs, among other things, of new pension systems.

In the government bill on the commercialization and privatization of state enterprises, which is already with the Sejm, an additional principle has been adopted giving employees of transformed enterprises the right to acquire without payment up to 15 percent of the overall number of shares. All the solutions are still up for discussion.

Those, however, who propose a model of universal property enfranchisement different from the governmental one must simultaneously reply to the question of how they intend to resolve the problem of accumulated obligations, and also whether or not they are ready to bring about the forsaking by workforces of the preferences already announced. There is only one set of assets for privatization. The state today owes various social groups, by virtue of the rulings of the Constitutional Tribunal and on account of unjust expropriations, at least 100-120 trillion old zlotys. Some of the privatized assets ought also to strengthen pension funds. The total need for state assets arisen from privatized assets [as heard] comes to a sum of at least 150 trillion zlotys. Thus, perhaps let us first return to people that which the court has decreed is theirs or parliament has ruled is theirs.

A separate dilemma, a separate dilemma is the problem of the scale of taxes and tax thresholds. This subject, which arouses many often heated discussions, is not easy to resolve. It is appropriate to so construct the system of taxes as to, while not cutting the state budget, reduce the threshold [as heard] for the lowest earners. On the other hand, however, to make it realistic for the most well-off, but in such a way as not to discourage them from investing and placing capital in Poland, and so as not to push then into the hands of the gray economic zone. A new taxation system, stable for a number of years, requires social acceptance from trade union organizations and the main political forces in the country. A separate discussion must be devoted to this matter, one for which we in the government are ready.

May it please the House! So as to resolve these problems in a rational and substantive way, a will for dialogue is indispensable. The dilemmas mentioned above may in equal measure be the subject of scandalous disputes and polemics as of cooperation in the seeking of the best solutions for society and the future of Poland. Over the last few weeks, we have had examples of a situation in which emotions and political complications have taken the lead over the ability to understand each other. Dangerous demonstrations have taken place and threatening announcements have been made that are not and cannot be the road to the resolution of problems and differences of opinion. The government assessment of these events is well known. We adhere to it. I wish to just once more express in this place regret in relation to all of those trade unionists and policemen who were injured in the course of the demonstration in Warsaw on 26 May.

Black scenarios are also being sketched out for the near future. Those dissatisfied with the present, democratic arrangement of power are sometimes ready to seek political changes on the street. The government confirms that the unshakable principle for expressing unease or opposition is through adherence to the law and public security. The government is ready for talks with all social partners. What is more, we are concerned that such talks take place. My government is far from the conviction that it knows and does everything well. We will treat every criticism made in good faith as a significant help for us, one that serves Poland. [applause]

Such social talks are a fact. In the period from October 1993 up until 31 May this year, there have been, overall, 480 meetings in the course of which many joint agreements have been adopted. One of the examples of this was the contraction in January, in the framework of the Trilateral Commission for Socioeconomic Affairs, of an accord on the subject of the level of wages for employees in the budget-financed sector for the year 1995. The government is keeping and will keep this accord, assuming that it will also be maintained by the trade unions, which promised not to undertake and not to support protest actions included under this accord. I wish to confirm in relation to the esteemed House my announcement, made in the course of the meeting with the participation of chairmen of nationwide trade unions and the president of the Confederation of Polish Employers, that a review be urgently implemented of the degree of relevance and of the state of implementation of all earlier accords, and also to analyze the state of the existing negotiating instruments between government and social partners in Poland.

I also wish to confirm my unambiguous conviction that all postulates ought to meet with a reply as regards the method and course of resolution of the matters raised. I know that the government still has a lot to do in this area. There is still a lot of bureaucratic waste of time in relation to the citizen, which significantly creates the impression that it is necessary to issue severe reprimands. There is a lot of ill will in ordinary functions that administrative offices carry out in relation to citizens, and they could be more helpful to him than they are. An important impulse for changes in this regard may be the completion of work upon the shaping

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within the administration of a professional civil service, the carrying out of a planned decentralization in the state, and also the strengthening of local government mechanisms and structures.

On this last matter, I wish to report that, at the first meeting during the term of office of this government of the joint Government-Local Government Joint Commission, I expressed firm support for the deputies' draft bill on the extent of activity of the administrations of certain, large cities, and I addressed the Sejm speaker with a request for him to subject this to a first reading at one of the upcoming meetings of the Sejm. This signifies the statutory fixing of the hitherto pilot local government program and a serious widening of the extent of self-government in the management of the public finances. In preparation there are also bills widening the prerogatives of gminy [proposed administrative units situated between parishes and voivodships] and voivodas, which will be a successive component in the process of decentralization of prerogatives within the framework of the structures managing the state. The implementation of these intentions, run under the control of public opinion and parliament, of course, requires a greater dose of mutual trust, of understanding between various political forces, including oppositional ones, on at least one fundamental matter, mutual concern on resolutions serving the good of citizens and the successful future of Poland.

May it please the House! Please allow me to return for a moment to the course of the protest action by the independent self-governing trade union, Solidarity. Accusations were made then about the purported doctrinal disfavor of the government toward Solidarity, about the desire to destroy it. It will do no harm to repeat here and now: Solidarity was a social movement that our country has a lot to thank for, which changed the course of history, and which, finally, has given us many eminent politicians. My government, in which only a few politicians have roots in Solidarity, values this entirely and fully. We do not wish, in even the tiniest degree, to destroy anything here nor to give the impression of some sort of political game.

This trade union, however, from the moment when Solidarity won democracy, has itself to subordinate itself to the rules of democracy. That is why, not forgetting about the traditions, the government will treat the independent self-governing trade union Solidarity on the same basis as other trade unions. Only such a trade union will constitute a better partner for the government as will put forward justifiable and realistic postulates, and which will also be capable of assuring the implementation of the obligations it has taken upon itself.

Today, esteemed chamber, the Solidarity congress begins. Sending greetings to the delegates, I desire to wish them that they make sensible decisions, deprived of obduracy. Let us lay aside sticks, bolts, and bottles, and on the other hand, truncheons and shields. Amid the blast of percussion grenades it is difficult to hear each other, let alone understand each other. [applause]

May it please the House! The main, and the most important task that takes precedence over all other programmatic tasks of the government, is the continuation of the economic growth, fight against unemployment, and increasing the competitiveness of the Polish economy. Such are today's priorities, and they will remain so, for any Polish government irrespective of its political image. And every government must report to society about their implementation.

I, therefore, would like to recall that since the beginning of this year we have noted a 12 percent increase in manufacturing; 40 percent increase in exports; and a drop in the number of people unemployed by another 150,000. These unusually favorable figures, which bring hope for the future, are of course achieved thanks to the effort of Polish society. The government is not putting itself to the fore in this respect. Like the Cabinet led by Waldemar Pawlak, also the current Council of Ministers' Office has been trying to support favorable trends and counteract the negative phenomena—in a word to create conditions favorable for the successful development of Poland.

We are happy that they bring about such good results. It is, therefore, not accidental that Poland has recently received substantial international commendation. For the first time in years, three large investment banks awarded Poland with much higher praises than hitherto for its financial credibility and the achieved economic results. Poland is talked about positively today in the economic aspect. Millions of Poles, both employers and employees, individual entrepreneurs and farmers, have worked toward this success. It is to them, first and foremost, that I would like to dedicate this international commendation. [applause]

The maturity of our young Polish democracy also turned out to be our trumps. In this democracy the same important role is being played by those who govern and those who constitute a constructive opposition. The world has been carefully watching to see if the Poles can talk to one another about issues most important for their country. So far, in spite of tensions and demonstrations, which sometimes become slightly too violent, we have not rocked the boat in which we are all sitting. And I hope it will continue to be like that.

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May it please the House! I would like to confirm resolutely a will to maintain objectivity and neutrality by the government in the presidential electoral campaign. Neither the government, nor central nor regional administration is, or will be, a side in this campaign. We will be directed exclusively by an appropriately understood interest of Poland, its economy and society. I believe that especially today, in the run-up to the coming presidential campaign, every politician will be able to respect these principles. Irrespective of views and slogans voiced by particular candidates the Polish state must function, and effectively. Thank you very much for your attention. [applause]

Krzaklewski Reelected Solidarity Chairman

LD0806215395 Warsaw Third Program Radio Network in Polish 2100 GMT 8 Jun 95

[FBIS Translated Text] Marian Krzasklewski has again been elected chairman of the Solidarity trade union. He received 278 votes. His countercandidates in the vote were Barbara Niemiec, a member of the National Commission of the union, and Eugeniusz Szumiejko, of the Lower Silesia region union organization.

Krzaklewski acknowledged the most important task of Solidarity in the coming term of office to be the creation of a strike fund, which will make it possible for the union to carry on effective protest actions. The second task, according to the newly chosen chairman, is the focusing around Solidarity of independence-oriented groupings which would, in consequence, achieve successes in the presidential elections. If we were to have a 500 trillion zloty strike fund, then within a period of 14 days this government coalition would no longer exist, stated Krzaklewski. At present, we must create a block that could count on 3.2 million votes in the elections, and then, equally, this government would no longer exist.

So as to achieve this, in his view, the political right-wing must come to an accord and have a single candidate emerge for the post of president. Krzaklewski did not indicate who, according to him, this sole candidate is to be.

The new chairman feels that the present Solidarity congress must determine tactics of action for the trade union, which will cause the government to undertake the implementation of the postulates of the protesting trade unionists. For the time being, strikes do not come into it but only large demonstrations. I will not support strike actions until there is a large strike fund, Krzaklewski stated.

Poll Shows Higher Approval for Sejm, Senate

WS0906100095 Warsaw NOWA EUROPA in Polish 9 Jun 95 p 2

[Article by "P.P.": "Sejm Gains, Church Loses; Closer to the Left Wing"]

[FBIS Translated Text] As far as authority institutions are concerned, activities of local self-governments are evaluated the highest; activities of the president are the least popular—only one in four Poles approves of them. However, an opinion poll conducted by the Public Opinion Research Center shows that the rating of parliament has improved quite considerably over the last two months. Currently 50 percent of respondents approve of the activities of the Sejm (which is 13 percent more than in March); approval for the work of the Senate has increased as well (from 32 to 42 percent).

In comparison with the results of the March poll, the institution that has lost the most over this time is the Roman Catholic Church. Right now the percentage of people who say that they approve of its activities (46 percent) is the same as the percentage of those who are critical of this institution.

Trade unions do not enjoy great support among the people. Only one in three respondents is satisfied with their activities. However, an 8-percent increase in the approval for activities of the All Polish Trade Unions' Agreement has recently been noted, and at the same time the same index in the case of Solidarity went down.

Among nonpolitical institutions, the most popular is the Polish Radio SA (81 percent). Along with the Armed Forces, public television, and the police, Polish Radio is one of those public institutions with the highest ratings. Evaluations of the radio's activities do not depend on political views, as is the case of Polish Television, which respondents with leftist views rate slightly lower than others do.

Private banks receive very poor evaluations; only 25 percent of respondents believe that they serve the people. Poles are not so hard on state-owned banks.

More profound analyses reveal certain general patterns. It turns out, for example, that evaluations of the activities of the Independent Self-Governing Trade Union Solidarity, President Lech Walesa, and the church are similar.

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Personnel Changes in Armed Forces Rumored

WS0806132495 Warsaw ZYCIE WARSZAWY in Polish 8 Jun 95 p 2

[Article by "LUZ": "Will Soldiers Help Walesa and How?"]

[FBIS Translated Text] Who is afraid that the Armed Forces will be manipulated in the coming campaign?

"This is the problem of a mere five to 10 generals affiliated with the Belweder," calmly says Jerzy Szmajdzinski, chairman of the Sejm Defense Commission and deputy from the Democratic Left Alliance [SLD]. Danuta Waniek, until recently deputy defense minister, adds: "Their voting preferences are different."

We should remember that according to last year's polls, the military identify primarily with SLD, with the Freedom Union in second place. The Belweder was disturbed by the reports. Lech Walesa has allegedly complained to top military officials recently that he invested a lot into the Armed Forces (the president decides who is promoted to general), and is not getting much in return.

There are rumors in the General Staff that a personnel revolution is in the air. In reward for "the right attitude" towards the president, heads of the Warsaw and Silesian Military Districts are to be promoted. One would take over the newly established post of deputy head of the General Staff in charge of the Territorial Defense Inspectorate, the other might become head of the president's military cabinet.

The Ministry of National Defense may help the president win the support of the right wing. The defense minister has announced he is looking for a deputy on that part of the political scene.

The most active division commanders might be moved to Warsaw. "They are too independent in the field. They pose a danger to the president because they enjoy too much authority. Here, they will be part of the crowd," we heard at the General Staff.

General promotions are undoubtedly Walesa's forte. Ten officers were nominated in May, others will be nominated in November and perhaps even in August.

As part of the campaign, some officers were given raises that had been designed for military commanders in the amount of 10 million zlotys. Zbigniew Okonski assured, however, that the amount was decided by his predecessors. He assuaged that the head of General Staff would earn 5 percent less than he does.

Draft Constitution Dated 12 Apr 1995

95EP0114A Warsaw TRYBUNA in Polish 2-3 May 95 pp 7-8

[Text of Constitution Draft dated 12 April 1995]

[FBIS Translated Text]

Chapter 1. Principles of Polity

Article 1. The Republic of Poland is a democratic and legal state implementing the principles of social justice.

Article 2. The Republic of Poland is the commonweal of all citizens.

Article 3. The Republic of Poland is one and indivisible as a country.

Article 4. Supreme power in the Republic of Poland belongs to the commonality of citizens, who form the Nation, which exercises that power through the medium of its democratically elected representatives or directly.

Article 5.1. The Republic of Poland guarantees the freedom of the formation and operation of political parties. Political parties associate citizens of the Republic of Poland on the principle of freedom of choice and equality, with the object of influencing by democratic methods the formulation of national policies.

5.2. The financing of political parties is public.

Article 6. The Republic of Poland guarantees the freedom of formation and operation of trade unions, associations, civic movements, foundations, and other voluntary associations operating legally with the object of promoting the interests of citizens and expressing their opinions.

Article 7. The Republic of Poland guards the independence and inviolability of its territory, guarantees the liberties and rights of man, protects public tranquility, safeguards the national heritage, and assures environmental protection on guiding itself by the principle of balanced development.

Article 8. All the public authorities and agencies of public administration operate pursuant to and within the bounds of law.

Article 9.1. The Constitution is the supreme law of the Republic of Poland.

9.2. The provisions of the Constitutions apply directly, unless the Constitution specifies otherwise.

Article 10.1. The Republic of Poland adheres to the international law binding thereon.

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10.2. The Republic of Poland may, by virtue of an international agreement, transmit to an international organization or an international body the exercise of certain state powers.

Article 11. The polity of the Republic of Poland is based on the division into and balance of legislative, executive, and judicial powers.

Article 12.1. The Republic of Poland guarantees the participation of local governments in the exercise of public powers.

12.2. Within legally defined limits, the Republic of Poland assures the possibility of operation of other forms of local governance.

Article 13.1. The Republic of Poland protects the right of ownership and the right of inheritance.

13.2. Expropriation is admissible solely for public purposes and upon just compensation.

Article 14.1. The Republic of Poland assures the freedom of private enterprise.

14.2. Restrictions on private enterprise are permissible only when so legislated and in consideration of important public interests.

Article 15. Labor is under the protection of the Republic of Poland. The state exercises supervision over the conditions in which it is performed.

Article 16.1. Churches and denominational unions receive equal treatment.

16.2. The government of the Republic of Poland remains impartial on matters concerning religious, personal, and philosophical beliefs, upon safeguarding the freedom of their expression in public life.

16.3. The relations between the state and the churches and denominational unions are based on the principles of respect for mutual autonomy and independence of each within its own scope, as well as on cooperation for the good of the individual and the community.

16.4. The relations between the state and the Roman Catholic Church are defined by the international agreement concluded with the Apostolic See and by law.

16.5. The relations between the state and the other churches or denominational unions are defined by the laws passed on the basis of agreements concluded between the Government and their authorized representatives.

Article 17.1. The emblem of the Republic of Poland is the image of a crown-wearing white eagle on red gules.

17.2. The colors of the Republic of Poland are the colors white and red.

17.3. The hymn of the Republic of Poland is Dabrowski's Mazurek.

17.4. Details of the emblem, colors, and hymn are specified by law.

Article 18. The emblem, colors, and hymn of the Republic of Poland are subject to legal protection.

Article 19. The capital of the Republic of Poland is Warsaw.

Chapter 2. Rights, Liberties, and Responsibilities of Man and Citizen.

General Principles

Article 20. The innate and inalienable dignity of man is inviolable. Respect for it and its protection are the responsibility of the public authorities.

Article 21.1. Anyone can do anything that is not prohibited by law. No one can be forced to do what a law does not prescribe.

21.2. Whoever avails himself of his rights and liberties is obligated to respect the rights and liberties of others.

21.3. Restrictions on the exercise of rights and liberties may be imposed only by law, when so necessitated in a democratic state in the interest of national security or public order, or for the sake of environmental protection, public health, public morality, or the rights and liberties of others.

Article 22.1. Every person is equal before the law and has the right to equal treatment by the public authorities.

22.2. No one may be discriminated against in political, social, or economic life by reason of gender, race, national or ethnic origin, state of health, physical or mental handicap, social origin, birth, sexual orientation, language, creed or its absence, views, property, or by any other reason.

Article 23.1. Men and women in the Republic of Poland have equal rights in political, economic, social, and cultural life.

23.2. Women are guaranteed equal right, on par with men, to education, employment, and advancement, to the same remuneration for work of the same worth, to social security, and to hold positions, public offices, and marks of distinction.

Article 24.1. Polish citizenship is acquired by birth from parents who are Polish citizens. Any other cases of eligibility for citizenship are defined by separate laws.

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24.2. No one may forfeit Polish citizenship unless he/she personally renounces it.

24.3. While abroad, Polish citizens have the right to protection from their government.

Article 25. The Republic of Poland guarantees to Polish citizens who belong to national and ethnic minorities the right to preserve and develop their own language, culture, customs, and traditions. It also guarantees them the right to establish their own educational and cultural institutions, as well as institutions serving to protect their religious identity, and the right to participate in resolving matters that concern the recognition and protection of their cultural identity.

Article 26.1. Anyone who is under the jurisdiction of the Polish State can avail himself of the rights and liberties guaranteed in the Constitution.

26.2. In accordance with international law, exceptions from this provision as pertaining to foreign nationals are governed by separate laws.

Personal Rights and Liberties

Article 27. Every person has the right to protection of life.

Article 28.1. No one may be subjected to torture or to cruel, inhuman, or humiliating treatment or punishment. Corporal punishment is prohibited.

28.2. No one may be subjected, in the absence of his/her freely given consent, to medical or scientific experiments.

28.3. Any person who is deprived of his/her liberty should be treated in a humane manner enabling him/her to adapt himself/herself to life at liberty.

Article 29. There is no statute of limitations on war crimes and crimes against humanity.

Article 30. The statute of limitation with respect to felonies perpetrated or instigated by public servants but left unpunished for political reasons is subject to suspension until said reasons are determined.

Article 31.1. Every person is guaranteed personal liberty and personal security. Deprivation of liberty may take place only in accordance with legally defined principles and procedures.

31.2. Anyone who is deprived of liberty in the absence of a judicial verdict has the right of appeal to a court of law for an immediate determination of the legality of such deprivation of liberty. Any time deprivation of liberty is carried out, the family or individual named by the person so deprived are immediately notified.

31.3. Any detainee should be immediately informed, in language he/she understands, of the reasons for his/her detention. The detainee should be released if within 48 hours he/she is not handed a judicial ruling on provisional detention, spelling out the charges.

31.4. Any person who is illegally deprived of liberty has the right to compensation.

Article 32.1. Only a person who commits an action punishable under the relevant, then binding law is subject to penal liability therefor. This principle does not conflict with punishment for an action which, at the time of its perpetration, constituted a crime under international law.

32.2. Anyone against whom penal proceedings are in progress has the right to defense during every stage of the proceedings and may choose the defending counsel or use an officially appointed defender.

32.3. Every person is considered innocent until proved guilty by a valid judicial verdict.

Article 33.1. Every person has the right to a fair and public consideration of his/her case without any unjustified delay by an appropriate, independent, impartial, and autonomous court of law.

33.2. A trial may be held behind closed doors out of considerations of morality, public order, or protection of the safety and privacy of the parties. The verdict is announced publicly.

33.3. Any party to the trial has the right to appeal the verdict of the court of the first instance.

Article 34. Forfeiture of property may occur only in legally specified cases pursuant to a valid ruling of a court of law.

Article 35.1. Every person has the right to the legal protection of his/her privacy, family privacy, honor and good name, and the right to decide on his/her personal life.

35.2. Freedom and secrecy of personal communications are inviolable. Their restriction may occur solely for reasons and on terms defined by law.

35.3. The home of every person is inviolable. Searches of homes, premises, or vehicles may occur solely in the cases and by the procedure defined by law.

Article 36.1. [passage indistinct]... concerning his/her person. No information other than absolutely necessary in a democratic state can be obtained and gathered. The principles and procedure for such information gathering are defined by law.

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36.2. Everyone has the right of access to the official documents and files concerning his/her person, and the right to demand the deletion of information that is dispensable or obtained in a manner conflicting with the law. Restrictions of these rights may be defined by law.

Article 37.1. Everyone has the right to freedom of movement and the right of choice of domicile and sojourn on the territory of the Republic of Poland.

37.2. Everyone can freely depart from the territory of the Republic of Poland.

37.3. The liberties referred to in Paragraphs 1 and 2 may be subject to legally defined restrictions.

37.4. A Polish citizen may not be expelled from this country nor forbidden from returning thereto.

37.5. A person living abroad whose Polish origin has been legally affirmed may settle permanently in Poland.

Article 38.1. Everyone has the right to freedom of conscience and religion.

38.2. Freedom of religion comprises the freedom of professing or accepting a religion as based on personal choice and of expressing, individually or with others, publicly or privately, one's religion by engaging in religious worship, praying, participating in religious ceremonies, and practicing and teaching religion. Freedom of religion also comprises the ownership of churches and places of worship as according to the need of the believers, and the right to obtain religious assistance where available. No one may be forced to participate in religious practices.

38.3. The state acknowledges the right of parents to provide their children with a moral and religious education consonant with their beliefs. Said education should make allowance for the desire of the wishes child, the degree of maturity of the child, and the freedom of the child's conscience and creed as well as of the child's beliefs and faith. The religion of a legally existing church or religious denomination may be a subject of school instruction, with the proviso that the right of other persons to freedom of religion and the right of nonbelievers may not be violated.

38.4. No one may be obligated by the public authorities to disclose his/her beliefs, religious convictions, or religious affiliation.

38.5. The freedom to express one's religion may be solely subject to specified legal restrictions when these are required in the interest of national security, public order, health, and morality, or in the interest of the rights and liberties of other persons, on assuring respect for equality and justice.

Article 39.1. Everyone is free to express his/her opinions and to obtain and disseminate information.

39.2. Freedom of the press and other mass media is guaranteed. Using that freedom may not be restricted by licensing or preventive censorship. Laws may provide for requiring a permit to operate a radio or television station.

39.3. Everyone is entitled to freedom of artistic creativity and scientific research and to the publicization of their results, as well as to freedom of instruction and freedom of benefiting from cultural treasures.

Article 40.1. Extradition of Polish citizens is prohibited.

40.2. Extradition of persons suspected of committing political crimes or resorting to force is prohibited.

40.3. Extradition is ruled upon by courts of law.

Article 41. Citizens of other countries and stateless persons may avail themselves of the right of asylum in the Republic of Poland on legally defined principles.

Political Rights and Liberties

Article 42.1. Everyone is entitled to freedom of peaceful assembly and of participation therein.

42.2. Restrictions on that freedom may be defined by law.

Article 43.1. Everyone has the right of freedom of association.

43.2. The procedure for registering associations in a court and the form of oversight of associations are defined by law.

43.3. Associations whose purposes or activities conflict with the Constitution or laws are prohibited. A court decides on declining their registration or prohibiting their operations.

Article 44.1. Freedom of association in trade unions and employer organizations is guaranteed, subject to the restrictions allowed by the norms of international law binding upon the Republic of Poland.

44.2. With the object of resolving collective bargaining disputes, trade unions and employer organizations have the right to engage in negotiations and to conclude collective bargaining agreements and other agreements.

44.3. Trade union liberties may be subject solely to such legal restrictions as are admissible pursuant to the norms of international law binding upon the Republic of Poland.

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44.4. Trade unions have the right to declare strikes or engage in other forms of protest within legally defined bounds.

44.5. In consideration of the public good, laws may restrict or prohibit strikes by specified categories of employees or in specified domains.

Article 45. A Polish citizen who is entitled to full civil rights has the right of access to public service on principle of equality.

Article 46.1. A citizen has the right to obtain information on the activities of government agencies and persons exercising public functions. This right also comprises obtaining information on the activities of business and professional organizations and the related persons or organizational units to the extent to which they perform government assignments and manage communal or Treasury property.

46.2. Said right assures access to the documents and the possibility of audio or video recording of, as well as free access to, sessions of popularly elected deliberative bodies.

46.3. Restrictions on the right referred to in Paragraphs 1 and 2 may occur solely in consideration of legally defined protection of the rights and liberties of other persons and entities and protection of public order, national security, or important national economic interests.

46.4. The procedure for obtaining the information referred to in Paragraphs 1 and 2 is defined by law.

Article 47.1. A Polish citizen who completes 18 years of age has the right to vote for the President of the Republic of Poland as well as for his representatives to the Sejm and Senate and to local government bodies.

47.2. The right to vote does not apply to persons who are incapacitated according to a valid judicial ruling and to persons who are deprived of their civil or voting rights by a valid judicial ruling, for the duration of their incapacitation or deprivation of these rights.

Article 48. Everyone may lodge petitions, proposals, or complaints in his/her own behalf or on behalf of another person upon the latter's consent, with the public authorities and public organizations and institutions, in connection with their exercise of the duties assigned to them within the scope of public administration. The procedure for considering said petitions, proposals, and complaints is defined by law.

Economic, Social, and Cultural Rights and Liberties

Article 49.1. Everyone has the right to choose his/her own occupation or profession and place of work. No one may, with the exception of legally defined cases, be forbidden from practicing his/her occupation or profession.

49.2. The obligation to work may be legally imposed only in cases that are not prohibited by international law.

49.3. Regular employment of children up to 16 years old is prohibited.

49.4. The state determines the minimum wage.

49.5. Public authorities pursue a policy of full and productive employment and organize and sponsor vocational counseling and training.

Article 50.1. Everyone has the right to safe and hygienic conditions of work. The ways and means of safeguarding that right and the responsibilities of employers are defined by law.

50.2. Every employee is guaranteed the right to legal days off from work and to an annual paid leave. The maximum number of hours of work is specified by law.

Article 51.1. Everyone has the right to study. School attendance until the age of 16 is mandatory.

51.2. Enrollment at public schools is free. Fees for enrolling at higher public schools may be imposed by law.

51.3. Parents have the right to choose enrolling their children at schools other than public schools.

51.4. Institutions and citizens have the right to establish elementary, secondary, and higher schools as well as boarding schools. Laws define the conditions for the establishment and operations of nonpublic schools and the participation of public authorities in their financing, as well as the guidelines for pedagogical supervision of said schools.

51.5. Public authorities create the conditions making possible academic and vocational education according to the ability of the pupil or student.

51.6. The autonomy of institutions of higher education according to legally defined principles is guaranteed.

Article 52.1. A citizen has the right to social protection in the event of inability to work owing to illness or a handicap, as well as upon reaching retirement age. The scope and forms of social protection are defined by law.

52.2. A citizen who remains unemployed through no fault of his own and who lacks other means of support has the right to social protection whose scope and forms are defined by law.

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Article 53.1. A citizen has the right to health care provided by the public health service on legally defined principles.

53.2. Public authorities are obligated to assure health care for children, pregnant women, incapacitated persons, and persons of advanced age.

53.3. Public authorities are obligated to combat epidemic diseases and prevent adverse consequences to health due to environmental degradation.

53.4. Public authorities provide citizens with the conditions for engaging in physical culture and sports.

Article 54.1. The family is under the protection of law.

54.2. The right of parents to bring up children in accordance with their convictions is guaranteed.

54.3. Restrictions on or the suspension or deprivation of parental authority may take place only in legally defined cases or pursuant to a court ruling.

Article 55.1. The state guarantees the protection of the rights of the child. Everyone has the right to demand of public authorities protection of the child against duress, cruelty, exploitation, and demoralization.

55.2. A child deprived of parental care has the right to receive care and assistance from public authorities.

55.3. A child capable of formulating his/her own views is assured of the right to express them freely. When determining the rights of a child, public authorities and persons responsible for the child are obligated to listen to, and insofar as possible to take into consideration, the child's views.

Article 56.1. The state creates the conditions for assuring ecological security for the present and future generations.

56.2. Environmental protection is an obligation of public authorities.

56.3. The citizen has the right to information about the condition and protection of the environment.

56.4. Public authorities support civic initiatives on behalf of protecting and improving the environment.

Article 57.1. Public authorities pursue a policy favoring the satisfaction of the housing needs of citizens, inclusive of supporting their efforts to obtain their own housing.

57.2. The protection of the rights of tenants is defined by law.

Article 58. Public authorities protect consumers, users, and lessees against practices endangering their health and safety, and against dishonest market practices. The scope of this protection is defined by law.

Safeguards of Rights and Liberties

Article 59.1. Everyone has the right to be compensated for damages caused by activities of government agencies that are inconsonant with the law.

59.2. The law may not bar anyone from resorting to the judiciary with the object of suing for violated rights and liberties.

Article 60.1. Anyone whose constitutional rights were violated has the right, following legally defined principles, to lodge with the Constitutional Tribunal a complaint requesting that it verify whether a law or other regulation pursuant to which a court or a government agency issued a final ruling on his/her rights or on the obligations defined in the Constitution, is consonant with the Constitution.

60.2. The provisions of Paragraph 1 do not apply to the law referred to in Article 41.

Article 61. Everyone has the right to apply, following legally defined procedure, to the Citizens' Rights Spokesman with a request for assistance in defending his/her rights or liberties violated by public authorities.

Article 62.1. The rights referred to in Article 49, Paragraphs 4 and 5, Article 50, Article 51, Paragraph 5, Articles 52-53, and Articles 56-58, may be claimed within legally defined bounds.

62.2. The Council of Ministers and the executive departments of local governments submit for acceptance reports on the exercise of the duties relating to the implementation of said rights.

Obligations

Article 63. Loyalty and fidelity to the Republic of Poland are an obligation of the Polish citizen.

Article 64. It is the citizen's obligation to shoulder the burden of public services and responsibilities, including the payment of taxes, as defined by law.

Article 65.1. Defense of the Fatherland is an obligation of the Polish citizen.

65.2. A citizen whose conscience prevents him from performing military service may be obligated to perform an alternative service.

65.3. The scope of the duty of military service is defined by law.

Article 66. Everyone is obliged to care for the condition of the environment and bears responsibility for its

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deterioration. The guidelines for the responsibility are defined by law.

Reasons To Support Poland in Weimar Triangle

95EP0121A Krakow TYGODNIK POWSZECHNY in Polish 21 May 95 No 21, p 3

[Article by Roman Kuzniar, charge d'affaires in the Permanent Representation of the Republic of Poland at the Office of the United Nations in Geneva: "The Weimar Triangle: A Common Calling En Route to European Unification"]

[FBIS Translated Text] "Cooperation between Poland, Germany, and France, within the framework of the so-called Weimar Triangle, is an example of creating new constructs which overcome old divisions and blocs. This particular form of cooperation between member countries of the European Union and a country from the former area of Soviet domination symbolizes the reconciliation of three large European nations. The former area of large-scale European wars is being transformed into a security pillar for the continent."

The above words, uttered in a speech by Foreign Affairs Minister Wladyslaw Bartoszewski at a special session of both chambers of the German parliament (a historic speech even as of the time it was made), are particularly significant. Bartoszewski's assumption of the position of foreign minister on the eve of the 50th anniversary of the end of World War II creates prerequisites for a transition from normalization to reconciliation in Polish-German relations. In turn, this is a necessary condition for taking full advantage of the potential for cooperation between the three countries.

Naturally, the Weimar cooperation, which was inaugurated by a meeting between R. Dumas, H.D. Genscher, and K. Skubiszewski right in Weimar in August 1991, already had reached a certain stage. Its scope included cooperation between the foreign-policy establishments of the three countries, their defense ministries (including the first joint exercise), meetings between members of parliament, as well as joint undertakings in the area of youth, cultural, and research cooperation. Let us also recall that in September 1993 a meeting between the presidents of the three states was brought about. At the same time, it appears that additional impulses are necessary in order to maintain the dynamics of such cooperation. These impulses should result from the conviction that the formula of the Weimar triangle may amount to something considerably greater than assistance from France and Germany in Poland's striving for membership in Western institutions. Both Poland and its partners should regard this formula as an opportunity for joint actions by the three states in the course of a difficult process of reconciliation and integration in a Europe which was divided before 1989. A brief 10-point reasoning which follows is an attempt to substantiate this initial premise.

Ten Theses About Unification

First, Franco-German reconciliation, and subsequently the Paris-Bonn axis which was formalized through the Elysee Treaty signed in January 1963 (an accomplishment of the outstanding statesmen de Gaulle and Adenauer), laid the foundation for the postwar unification of West Europe. One could further note that this was first, a prerequisite, second, a basis, and third, the driving force of West European integration within the framework of the European Community. This thesis requires no further evidence or deveopment.

Second, along with a great change occasioned by the East European Spring of Nations in 1989, Europe got an opportunity to become united again (reunification). Reunification may only occur on the basis of West European institutions, mainly the European Union and the Western European Union (as well as NATO). To be sure, prior to 1989, the states were restricted by a barrier in the form of the "iron curtain." However, it is a virtual certainty that, had it not been for the "iron curtain," certain Central European countries would have participated in the processes of European integration from the very beginning.

Third, in the new situation, cooperation between Paris and Bonn (soon to be between Paris and Berlin) will remain, for some time to come, a pillar of the West European core for a broader European construct which is what the European Union is slowly becoming. However, it does not appear that this axis could drive the entire process of integration and its institutional architecture. In this context, one should not ignore the difference between the foreign policies of the two states which recently have been increasingly frequent and French apprehensions about the excessive "independence" of Germany on the European scene. On the other hand, it is necessary for France to become more involved than heretofore in the matters of Central and East Europe, especially in view of the prospects for the Union opening up to the region.

If the French-German duo is to maintain its role in European relationships in the coming decades it should receive support from another state. Naturally, Paris and Berlin may not wish to seek or accept such support. However, in this case the role of the axis will diminish considerably which, as a result, will likely weaken the bond between the two capitals. Nor can attempts to create a new constellation of states excluding France

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or Germany, which would play a role similar to the one played in the past by the Paris-Bonn axis, be ruled out. Such concepts do exist.

At the same time, it appears logical that one of the "latecomer" Central European states, representative of the group of future new members of the European Union and the Western European Union which are now associated with these institutions, should be the ones to join in Franco-German cooperation. This also appears logical, as Tadeusz Mazowiecki aptly notes in stating that, in the process of the opening up of the European Union, a unification-combination of the two parts of Europe should come about rather than a simple admission of Central and East European states to the international institutions of West Europe.

Fifth, in view of its geographic location, significance for European security, and general potential, including economic, Poland appears the most natural candidate for partner to France and Germany in their joint efforts to further European integration. It should be kept in mind that Poland is the largest of the "latecomers" to the Union, including the countries which joined the European Union on 1 January 1995. In the foreseeable future, no state larger than Poland will become a candidate to join the Union. In addition, Poland is an extension of the Paris-Berlin axis. From a historical point of view, this extended axis has been the main geostrategic axis of Europe or, in other words, the main road of Europe. Some might say that Poland is the missing link of a broader European design now under construction. This design will always be incomplete without Poland and other Central European countries.

Sixth, in the interest of Europe and its advancing unity, France and Germany should "draw Poland into" bearing a greater responsibility for this process and playing a more extensive European role. This is not an easy undertaking. Even now the size of Poland, in combination with its relatively delayed development, is viewed in Brussels as a problem encountered in the process of extending the Union to Central Europe. This is true but, if one may say so, the stake in this game is bigger than Poland; it is European unity. Franco-German "investment" in Poland would be an investment in Europe in a broad sense of the word, that is, not restricted by the borders of the European Union.

From this point of view, Poland is a very good candidate for partnership. Poland has "done its European homework" in its part of Europe well, not to use the words "in an exemplary manner." Poland has signed treaties which lay the groundwork for good-neighborly relations with all its neighbors and settle the issues of borders and minorities. This was a much more difficult task than in the case of many other states: The number of Poland's neighbors grew abruptly from three to seven, and with some of them Poland had significant problems inherited from history which were not Poland's fault. Poland had accomplished this long before the appearance of the so-called Balladur plan, or a draft pact on security and stability in Europe. Poland's West European partners do not necessarily want to see this; they eagerly emphasize strains which exist in the Polish environment and collectively define East Central Europe as an area of instability and danger deriving from border issues or nationalism.

The Weimar triangle is the best instrument for Poland to be drawn into bearing European responsibilities. The tendency to maintain the exclusive nature of cooperation between Paris and Bonn is understandable. However, in this case, both capitals should be looking toward the future; this has been a special role to play for their cooperation to date. Besides, this is not about interfering with this cooperation or weakening it but rather about creating, based on its experience and model, trilateral cooperation, the thrust of which has been outlined above.

Seventh, there is yet another reason for which the task discussed here must be undertaken. A historic opportunity open to Poland must not be wasted. I mean the external environment (especially the situation to the east of the borders) and the domestic environment. In the latter case, I mean the point recently made in POLITYKA by Jacek Poprzeczko ("The Fall Cooling," 12 November 1994). In Poprzeczko's opinion, there is no dearth of proponents of the following solution in Poland: "Russia and an alliance with it should become a priority for us whereas relations with the West should be derived from it." If this is indeed the case, it would be all the more worthwhile to use the formula of the Weimar triangle in order to anchor Poland in the process of European integration until Poland becomes a full-fledged member of this institutional structure. An irreversible accession of Poland to this structure is a strategic priority of Polish policy to which the rest of its avenues and aspects should be consistently subordinated. This would put an end to disputes about jurisdiction, ways of coordination, and summit contacts in Polish foreign policy which have been witnessed over the last dozen or so months and which are unusual under European conditions.

Eighth, the question of Russia and other states in the post-Soviet area comes up in this context. To my mind, it is becoming increasingly obvious that the CIS area is becoming a separate entity from the point of view of policy, security, and economics and stands apart from integration processes underway in the

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European Union. This is proven by the number and nature of agreements signed within the framework of the CIS and the policy of Russia itself. Significant works have recently appeared which adduce many weighty arguments to substantiate this tendency (the works on occasion contain important theoretical proposals, from those of S. Huntington to those of K. Zernack). In light of the above, it may be assumed that Poland and other countries of Central Europe may participate in European integration, whereas post-Soviet countries, with the exception of Baltic states, will not participate in the foreseeable future.

Ninth, while Poland and other countries of the region should be included in the evolving institutional structure of the European Union and the North Atlantic Alliance as soon as possible, it is possible and necessary to develop extensive cooperation with Russia and other CIS countries. A model for such a process is naturally apparent: integration of Central European countries within the framework of the European Union and cooperation with Russia and other CIS countries. There is no contradiction between these two processes which can be developed in parallel nor can there be any contradiction. In this instance, one may draw a certain analogy: Close cooperation exists between states of the Union and the United States, and yet nobody is suggesting that the United States be integrated into the structure of the Union, despite the fact that, from the point of view of West Europe, there is an essential difference between the United States and Russia. The position of France and Germany on this fundamental issue should be unequivocal to the utmost with regard to both the principle itself (expansion of the European Union and NATO) and the pace of its implementation.

Tenth, a Poland which cooperates closely with France and Germany and becomes a party to the process of European integration may be of great service in cooperation between the Union and neighbors to the east. This may occur due to Poland's familiarity with the area and the already broad-scale activity within the framework of its eastern policy. Difficulties in the pursuit of this policy are to a considerable degree the result of the still existing temptation of Moscow to ignore or even humiliate Poland (the consequences of the incident at the Eastern Terminal in Warsaw); Poland is sometimes viewed in Moscow as standing alone or not quite wanted by the West. Once again, the Weimar triangle has a role to play which far transcends trilateral cooperation between France, Germany, and Poland.

Conclusions suggested by the above reasoning are quite obvious: The Weimar cooperation should be continuously and consistently strengthened. It is a part of the European calling of the three nations.

...For All Three To Want It at the Same Time

The existence of prerequisites or substantiated convictions as to the need for the Weimar triangle to be reinforced and to play a European role does not mean that the expectations outlined here will become the subject matter of real European politics. In this case, the saying that the greatest trick is for all the three to want it at the same time also applies. However, the Polish advantage in the person of Minister Wladyslaw Bartoszewski, who can accomplish a qualitative breakthrough in the emotional and conceptual stratum of Polish-German relations, must be perceived by the strategically minded political elite of France. Such an inclination should also be fostered by the political and economic implications of the return of the German capital to Berlin, which is considerably closer to Warsaw and other capitals of Central Europe than it is to Paris.

Warsaw can offset the asymmetry of potentials which exists in the Weimar triangle by a vigorous Polish policy in East Central Europe. It offers an extensive repository of opportunities which may be taken advantage of in line with political stabilization and economic growth in Poland. It was precisely the diplomatic activity of Paris that made it an equal partner of Bonn in their relationship in the past. Just as was the case with France, a strategic approach to foreign policy which also requires a commitment of funds is necessary.

Finally, the last and perhaps the most difficult question. Poland's partners in the Weimar triangle must be aware that, in emphasizing trilateral cooperation, Poland is not trying to further solely its own narrow interests, even those that are highly justified. The calling of Poland's European policy, including policy within the "triangle," should be to increasingly become a part of the policy of Europe, the kind of Europe which is emerging through the development of institutions shaped and guided from Paris, Bonn, or Brussels. Warsaw cannot be absent from this concert.

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Reports on Illegal Dealings of Top Officials

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[FBIS Editorial Report] Bucharest EVENIMENTUL ZILEI in Romanian in its 1 and 5 June issues continues its series of articles by Dan Andronic and Mirel Curea, headed "The Operation: 'Money for the Party,'" revealing illegal dealings involving top government officials, by which "dirty money" goes into their own pockets, as well as to the bank accounts of the political parties belonging to the ruling coalition.

In the 1,700-word report titled "The Romanian Intelligence Service, Up to Its Highest Echelons Is Also Involved in the Operation 'Money for the Party,'" published on page 7 of the 1 June issue of the daily, the authors express their bewilderment at the fact that neither the Interior Ministry Intelligence Service, nor the Economic Counterintelligence Division of the Romanian Intelligence Service (SRI) have reacted in any way to the disclosures made by EVENIMENTUL ZILEI on illegal cigarette imports or the "repeated and gross violation of the embargo" by exporting large quantities of fuel to Yugoslavia. The fact that no steps were taken against Mihai Panzariu, the head of the General Customs Directorate, under whose patronage the illegal dealings are allegedly done, makes the reporters conclude that "if the Counterespionage Directorate is still in control of Mihai Panzariu's activity, the situation is serious. If they have lost control, it is more serious, because this means they are not doing their duty. Which is even more serious! And also very hard to believe."

Referring to a communique released by Panzariu himself, replying to the accusations against him, in which he claims that he ordered the customs office at the Jimbolia railway border crossing point to Yugoslavia to be closed between 1800 and 0500 hours "precisely to more strictly observe the embargo," the authors say that "we burst out laughing, because if Mihai Panzariu really intends to have the embargo observed more strictly, he should have doubled the customs officers there, rather than close it for the night."

"In order to offer our readers a clear picture of what is happening at the Jimbolia customs, let us mention just the fact that since 27 August 1994 between 1800 and 0500 hours the sole person on duty there is a railway worker who lifts the barrier and lets the train through whenever he receives a phone call from the Timisoara customs confirming that the merchandise has been cleared by them. Thus the observance of the embargo at the Jimbolia customs has been left up to a simple man, a railway employee. Besides this, for several months there has been no lighting at the Jimbolia station platforms. Each night 25-35 railway tank cars loaded with fuel roll through the Jimbolia customs, which amounts to 500-1,400 metric tons of fuel per night." "The Timisoara customs office is one of the key spots for Mihai Panzariu," claim the reporters, and the head of that customs office, "Mircea Motisan, is one of his hands."

"In 1994 a 3-kilometer-long convoy of farming machines entered Romania from Serbia. Panzariu gave the following orders: 'The convoy should enter discreetly.' And it did. This happened in broad daylight and dozens of people witnessed it. At the same time, as always, the UN representatives monitoring the observance of the embargo were kept by Panzariu at a single border crossing point, where they checked the car trunks and baggage of people going to or coming from Serbia."

In the 1,200-word report published on page 3 of the 5 June issue of EVENIMENTUL ZILEI, headed "The SRI Safe Houses Are Being Given Away to Iliescu's People," Dan Andronic and Mirel Curea claim that the apartments and houses run by the defunct Securitate in Bucharest, "the value of which amounts from $20,000 to $40,000 each," "as they are located in central areas of the capital and they are extremely well kept" are being sold or let to influential persons "able to exert pressure on SRI Director Virgil Magureanu by virtue of either subordination or friendship." One of the cases presented by the reporters is that of Adrian Riza, owner of the "obscure daily TIMPUL and TIMPUL FEMEILOR" and "a secret counselor of President Ion Iliescu's, who always accompanies the president during his visits abroad," and to whom the SRI let in 1992, with a three-year rental contract, a Securitate safe house with "50 rooms and 11,024 square meters, valued at 1,854,246 lei [L]" located at No. 30 Londra Street in Bucharest." "As the contract was about to expire on 15 May 1995, the SRI ordered Riza to leave the 50 rooms of the house in No. 30 Londra Street. What happened next? This was followed by Riza's hysterical crisis on his return home from London, where he had accompanied Iliescu, and found his belongings lying in the street. This was followed by Ion Iliescu's undergoing a similar crisis on seeing his favorite thrown out. Aware of his precarious situation as head of the SRI, Virgil Magureanu apologized and lent a hand to reorganize the daily TIMPUL." "In the same context we inform our readers that the SRI contributed L7 million in cash to the financing of this paper."

The reporters also mention the fact that "the one that profited most from the SRI safe houses was the ruling party" following its split into an Iliescu and a Petre Roman wing in 1992. "Their national headquarters in Filioara street used to be a safe house of the State Securitate Direction, and the current headquarters of

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the Social Democracy Party of Romania located in the Atena Street used to have a similar status before 1989."

The aforementioned report is accompanied by excerpts from a six-month-old interview with Senator Karoly Szabo, one of the members of the Parliament panel exerting control over the SRI, who says that SRI head Magureanu presented "some problems related to cases of such a nature," namely SRI officers being involved in corruption scandals, "but they were not made public and were not subjected to penal trials." On being asked whether the SRI has its own sources of income besides from the funds allotted to it from the state budget, Senator Szabo replies: "Yes, they do. It was Parliament's mistake to have permitted by law that they should engage in economic activities as well, and thus make a profit that does not come from the budget. This is a very delicate issue, in the sense that it might be a channel through which funds of which the origin is difficult to establish, may flow to the SRI."

Roman Discusses NATO Stance on Central Europe

AU0906112595 Bucharest AZI in Romanian 31 May 95 p 3

[Interview with Petre Roman, president of the Democratic Party, by Marius Huc; place and date not given: "There Are No Differentiated Attitudes Toward the Countries in Central Europe"]

[FBIS Translated Text] [Huc] At the spring session of the North Atlantic Assembly meeting, the idea of a two-stage adherence to NATO was ventilated, something that caused a great furor in the Romanian political and journalistic circles, given the fact that Romania was placed behind Poland, Hungary, the Czech Republic, Slovakia, and Slovenia. Nevertheless, Mr. Petre Roman, you went to Budapest in a very optimistic mood. Are you still as optimistic now, after the spring session of the North Atlantic Assembly [NAA]?

[Roman] I am as optimistic as before, because, as far as Romania is concerned, we have achieved something special in Budapest. In other words, the nondifferentiation regarding the access of the former socialist countries to NATO is actually a gain, largely due to the efforts made by Romania in Budapest in the direct struggle with the thesis promoted by the report of the NATO Assembly president, Mr. Karsten Voigt. As a matter of fact, Mr. Voigt's report was presented as a personal opinion. We have had more public and private discussions in this respect. I believe that the session was good for our country because we showed that, in the process of European integration, one should not even consider making any differentiations. Moreover, even the Hungarian authorities realized that the relations with Romania are essential, if both countries want to be seen in a good light by the Western community. The answers I received to the public questions I put to Minister of Defense Gyorgy Keleti, Minister of Foreign Affairs Laszlo Kovacs, and Prime Minister Gyula Horn confirmed what I just said before.

[Huc] Therefore, the meeting did not accept to differentiate between the Visegrad Group countries and the other states knocking on NATO's doors?

[Roman] No, it did not accept that. On the contrary, there will be no differentiation. Richard Holbrooke said it himself in the plenary session—his was the last speech at the meeting—and clearly emphasized that there will be no such differentiation. Of course, we are interested most seriously and directly in concluding a basic treaty with Hungary and we are most concerned with advancing along the road of democracy and strengthening our economic structures, without which we are far from integration in the European structures. In the current stage, we made it quite clear that there can be no differentiation and that NATO's expansion is a goal that can no longer be postponed.

[Huc] Still, will the famous stages of acceptance to NATO disappear?

[Roman] It is hard to say that the stages of acceptance will no longer exist. Anyhow, these stages do not apply to groups of countries and I believe that such a concept would have been unacceptable at this time. However, there is talk about examining each case on merit: Each country will have to prove that it fulfills the adherence conditions and that it applies the values of the alliance and of the Western allies in actual fact. In his speech, where no differentiation was made, Karsten Voigt said—in reference to all the countries in Central Europe—that these countries are not in a position to make an economic contribution to the alliance, but that NATO's expansion must take place. He also said that Russia must understand that the expansion of the alliance is not directed against it.

[Huc] Was it clearly implied that Hungary and Romania will join NATO together?

[Roman] This is an idea that I advanced several times during the session and I was never contradicted—not by Hungary's representatives and even less so by the representatives of the NATO member countries.

[Huc] Everything seems to be clear, on the foreign plane. But how are the "plays being made" in Romania?

[Roman] I hope that there is only one "play" being made at home, namely the one that is visible to all of us. It would be a very serious mistake to create the

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impression, even for a split second, that there is the tiniest difference between words and deeds.

Halanga Plant Ships Heavy Water to Cernavoda

AU0906113195 Bucharest COTIDIANUL in Romanian 6 Jun 95 p 3

[AM Press report: "The Heavy Water Produced at Halanga Is To Be Put Into the National Reserve"]

[FBIS Translated Text] Last week the ROMAG RA [public corporation] at Halanga, which produces heavy water, shipped 16 metric tons of heavy water to the nuclear power plant in Cernavoda. The shipment was necessary to complete the filling of the first reactor of the nuclear plant. The Halanga plant has already started to produce the heavy water that will be needed to fill further reactors at Cernavoda. Until those units are built, the heavy water will be put into the national reserve.

Parliament Defense Commissions Criticize CSAT

AU0906082595 Bucharest EVENIMENTUL ZILEI in Romanian 1 Jun 95 p 4

[Article by Andra Aurora Manta: "The Parliamentary Defense Commissions Severely Criticized the Activity of the Supreme Defense Council Headed by Ion Iliescu"]

[FBIS Translated Text] The parliamentary defense commissions of the two chambers met yesterday in a joint session to draw up an account of the various reports forwarded to parliament by the Country's Supreme Defense Council [CSAT] over the last three years.

The account contains a number of very harsh critical remarks about the activity of the CSAT, a body headed by President Ion Iliescu. The two commissions chide the CSAT for the fact that it failed to examine the more than 20 aviation debacles, mainly the crash of MIG airplanes. Likewise, the CSAT has failed to show interest in the social state of military cadres, something that can jeopardize the country's national security.

The CSAT has also failed to implement the program of restructuring the defense industry, which led to production dysfunctions and discontent among the personnel employed in that industry. The commissions believe that the CSAT has neglected the aviation industry, something that leads to the weakening of the country's defense capability. The account also criticizes the fact that research and design in the defense production sphere are faced with great hardships.

In conclusion, the commissions suggest that the CSAT correctly interpret, apply, and observe the provisions on briefing them about developments in the sphere of national security; likewise, the CSAT should cooperate more efficiently with Parliament, through the defense commissions. The commission also presented several suggestions on modifying the Law on the Organization and Functioning of the CSAT.

Ethnic Party Calls for End to 'Hatred' Campaign

LD0806215695 Budapest Kossuth Radio Network in Hungarian 2100 GMT 8 Jun 95

[FBIS Translated Text] The Hungarian Democratic Union of Romania [HDUR] has issued a communique in which it asks relevant Romanian organs to intervene and stop the latest nationalist manifestations and to put an end to the campaign aimed to incite hatred.

The HDUR stance was published following recent letter bomb attacks and death threats against several HDUR leaders, such as [chairman] Bela Marko and [honorary chairman] Laszlo Toekes.

Taxes for Farming Products Effective 1 Jul

AU0906113295 Bucharest ADEVARUL in Romanian 7 Jun 95 p 1

[Article by "D.O.": "Customs Taxes Imposed on Agricultural Products To Be Increased"]

[FBIS Translated Text] The ministry of trade decided that with a view to protecting domestic agricultural production, as well as attracting foreign capital to be invested in Romanian agriculture, customs taxes imposed on imported agricultural products are to be increased as of 1 July. This measure applies to 25 percent of such imports, namely to basic agricultural merchandise, such as wheat, sugar, butter, flour, and so on. The new customs taxes are to remain valid until the end of this year.

SNCFR Orders Trains To Stop in Arad

AU0906114095 Bucharest Radio Romania Network in Romanian 0400 GMT 9 Jun 95

[FBIS Translated Text] The Romanian Transportation Ministry press office announces that beginning today the SNCFR [Romanian National Railroad Company] ordered four pairs of international trains [en route to Hungary via the southwestern line] to stop in Arad city station again. Formerly, according to the new train schedule [effective 28 May], the trains were to run through Arad station without stopping.

These trains come as an addition to other international [slow] trains, which, according to the schedule, ensured the connection of Arad station to the international railway traffic, the transportation ministry communique points out.

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Thaler Asks U.S. To Oppose Yugoslav Recognition

LD0706163195 Belgrade TANJUG in English 1558 GMT 7 Jun 95

[FBIS Transcribed Text] Ljubljana, June 7 (TANJUG)—Slovenia has again called on the U.S. Administration to oppose recognition of the Yugoslav federation of Serbia and Montenegro as the former Yugoslavia's sole successor.

Slovene Foreign Minister Zoran Thaler on Tuesday sent a letter to U.S. Secretary of State Warren Christopher, requesting that 'funds and other assets of the former Yugoslavia remain frozen.'

Slovenia expects all funds and assests of the former Yugoslavia to be justly divided among all states that were formed after the disintegration of the former Yugoslav Federation, he said.

Ljubljana officials are concerned about repeated requests to lift the sanctions against Yugoslavia and the possibility of its reintegration into the international community.

Despite the request for a just division of funds and assets, Slovenia is categorically refusing to return nearly one billion dollars to savers from other parts of the former Yugoslavia who have deposited money at the Ljubljanska Banka Bank.

Of this sum, Slovenia owes 500,000,000 dollars to Croatian citizens.

Kacin on Future Ruehe Visit, Arms Embargo

AU0806205095 Ljubljana Radio Slovenia Network in Slovene 2000 GMT 8 Jun 95

[Report by Edo Zitnik from Brussels]

[FBIS Translated Excerpt] [Passage omitted] The 16 NATO defense ministers will tomorrow be joined by their colleagues from the countries that are members of the Partnership for Peace program. Among them will also be Slovene Defense Minister Jelko Kacin, who met with German Defense Minister Ruehe today.

The ministers discussed closer cooperation between the armed forces of their two countries. Here, Minister Kacin mentioned the training of Slovene officers in Germany. As Kacin said, Ruehe will visit Slovenia in August, which will be his first visit to any of the countries of the former Yugoslavia. They are scheduled to sign a formal agreement on cooperation of the armed forces during the visit.

Kacin again drew Ruehe's attention to the problem of the arms embargo, which is still in force for Slovenia. The German foreign minister expressed sympathy for our position, however, he emphasized that the decision to lift the embargo lies in the hands of the United Nations.

Italian 'Doubts' Cause Delay of EU Agreement

AU0806180495 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 8 Jun 95

[FBIS Translated Excerpt] The Committee of Permanent Representatives of the European Union [COREPER] concluded that the entire text of the agreement on Slovenia's associate membership in the European Union [EU] has been harmonized and was, thus, ready for initialing. However, because the Italian ambassador voiced doubts regarding the harmonization of the Slovene real estate legislation with the European, the initialing was postponed for a few days. Jure Pengov reports from Rome about the background to this Italian reserve:

[Begin recording] Officially, the Italians said they needed some time to study the proposal about the removal of the second paragraph of Article 68 of the Constitution and the proposal of a law on property and actual rights. Unofficially, we have heard though that the Italians are not entirely satisfied with the changes proposed, which they had studied as thoroughly as all other countries. They maintain that they are too restrictive. [passage omitted]

As we have heard, the Italians wanted time for consideration by which the process of our accession will be extended considerably and will probably also become additionally complicated. The COREPER decision can also be perceived as a form of pressure by other European partners on Italy not to foot-drag.

In any case if not earlier then on Monday, at the ministerial meeting in Luxembourg, we shall hear Rome's last word in this stage. Another opportunity for the clarification of possible ambiguities will be tomorrow, when the plenipotentiaries of both foreign ministers, De Franchis and Jancar, will meet in Ljubljana again.

It is interesting that media paid a considerable attention to the contents of the proposed constitutional and legal amendments published yesterday, as well as to the agreement of the Slovene and Croatian prime ministers in Otocec the day before yesterday, about the countries insisting on the validity of the Osimo Agreements and the Rome Treaty.

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Federal

Communists Oppose Force in Settling Crisis

AU0806171895 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 8 Jun 95

[Report by Vera Rakin]

[FBIS Translated Text] The necessity to accept peace solutions, which the League of Communists-Movement for Yugoslavia strives for, was one of the topics at the party's regular news conference today. Vera Rakin reports;

[Rakin] Belgrade's enormous peace efforts render the removal of Yugoslavia's punishment closer. The international actors increasingly realize Belgrade's seriousness and importance. The political actors are also becoming more and more inclined to overcome the crisis in the war-stricken region with peaceful means, and the number of the advocates of the war option is falling. This was stated by Ratko Krsmanovic, president of the Yugoslav Committee of the League of Communists-Movement for Yugoslavia.

The events as a whole show how irrational the nationalist initiatives are. Instead of promoting the need for direct negotiations, the nationalists advocate violence and want to prolong the war, Krsmanovic said, adding:

[Begin Krsmanovic recording] This attitude has prompted the international community to come up with the new things, which represent a kind of threat with the war scenario and military solutions. These are, let me remind you, the introduction of rapid reaction forces, which will not wear Blue Helmets, and the first official threats to bomb the Croatian positions and the Croatian forces, which, obviously encouraged by the taste of victory, are embarking on new war advances. Every provocation, every shot, even if accidental, can be a reason for new loss of life and destruction.

Let me remind you that the acceptance of the Contact Group's peace plan is removing all these dangers, and is opening up space for negotiations and a different way of solving the crisis. [end recording]

[Rakin] The party representatives also reiterated the view of the League of Communists-Movement for Yugoslavia that NATO's bombing of Serb positions was only one in a series of mistakes made by the international community. The response to this mistake should have not been the extremely primitive and crude treatment of UNPROFOR [UN Protection Force] members, which has endangered the negotiating positions.

In reply to the journalist's question on what he thought about the incident in Gnjilane, Ratko Krsmanovic said that his party condemns violent and nationalist behavior of some extreme parties, including the Serbian Radical Party. Therefore, according to him, these parties have brought into question the legitimacy of their work.

JUL Spokesman on Party's Goals, Membership

95BA0234U Belgrade BORBA in Serbo-Croatian 17 Apr 95 p 8

[Article by T. Jeremic: "The Left's Time Is Just Arriving"]

[FBIS Translated Text] *The accusations that the directorate resembles the Rotary Club are coming from those whose hearts are on the right side; the fact is that in addition to directors we also have workers, students, and other young people, and we will also be joined by people who want to make their own decisions about their fates.*

The JUL [Yugoslav Left] spokesman for Montenegro, and a member of the directorate, Jovan Martinovic, told us, in response to a question about how Montenegro reacted to the establishment of a JUL element and officer:

"Some people in Montenegro deeply respect the JUL, and others are afraid of it! It is respected by those linked by the idea of Yugoslavism and the equality of all citizens regardless of religious and ethnic identity, and the skeptics who sold the idea of Yugoslavism for their own interests are the ones who are afraid of it, and we have to fight them. The JUL is the political force of the modern, democratic left, which offers the people what many have offered in the past. The Montenegrin traditions of 'feeling and heroism,' justice, and solidarity are fertile ground for the idea that we offer to come alive."

The front of the Yugoslav Left, after the convention, was attacked by accusations that its Directorate was composed of the "intellectual elite" and "newfangled businessmen," and that it resembled the Rotary Club. Jovan Martinovic said, "Those accusations are coming from those whose hearts are on the right side. Knowing all the people in the Directorate, I can state that they are intellectuals, and there are a lot of directors; that is true. And why shouldn't directors be leftists? There are also workers, students, and young people. Aleksandar Julin is the youngest spokesman in the world. JUL is the place for those who are linked by love for their fellow man. I believe that a large number of workers will join us, because they will realize that they need to make their own decisions about their fate."

"One more reason for the accusations is that the JUL supports decentralization of the system of political authority, the rule of law, an independent judicial system, and the equality of all citizens of this country, regardless

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of religious and ethnic identity. By announcing a struggle for a law-governed state, better living conditions, and protection against crime, violence, poverty, and exploitation, we have acquired enemies among those who are not suited by that struggle. JUL," Martinovic said, "is also an answer to extremism, nationalism, chauvinism, and all the vampiric annals of the past, which have existed, but which we overcame, and will overcome. The time of the left is just arriving."

Regarding what the left will be like in the future, whether its idea will be better represented in a new historical context, Martinovic said:

"It will be a powerful political movement, as the mood of the people of Serbia and Montenegro confirms. JUL will be a bulwark against retrograde ideas, and past experiences can only be beneficial."

Judging by what he told us, Martinovic believes that JUL is a project with a very certain historical outcome: "I firmly believe that we will have a large number of voters, and that we will radically change the balance of political power." In response to a question about whether he meant more than 150,000 voters, he said, "Naturally." According to some analyses, 150,000 voters will ensure a solid position in parliament.

[Box, p 8]

Similarities and Differences

Martinovic commented on the JUL's attitude toward the Socialist Party of Serbia [SPS] and the DPS [Democratic Party of Serbia] as follows: "When one talks about the JUL's attitude toward the ruling parties in Serbia and Montenegro, in terms of their program commitments they should be quite close, because both the SPS and the DPS have declared themselves to be leftist-oriented parties. Naturally, in this case the concept of the leftist option does not mean any sort of dogmatic content of these two parties associated with the recent or remote past. After all, the same is true of JUL. In addition to certain ideological similarities, there are also disagreements, primarily with one part of the DPS, as reflected on socioeconomic issues such as, for example, 'the privatization of large socialized enterprises.'"

Statistics Bureau Notes Increased Consumer Costs

LD0406144195 Belgrade TANJUG in English 1348 GMT 4 Jun 95

[FBIS Transcribed Text] Belgrade, June 4 (TANJUG)—The monthly consumer basket, consisting of 65 food products for a four-member Yugoslav family, cost 703 dinars (703 German marks) in May.

According to Federal Statistics Bureau figures, the price of the consumer basket increased for 30 dinars (5.1 percent) in May in comparison with April.

Prices increased and fell mostly on the green market.

Although its price increases every month, a little more than two average monthly salaries have been needed for a consumer basket since July 1994, because the salaries have also increased in the meantime.

This shows that there are no significant changes in the living standard where it regards food products.

Regarding other family needs that are not included in the consumer basket, housing expenses increased by 8.4 percent in May, while the price of clothes and footwear increased by 3.7 percent.

Household furniture cost 5.5 percent more than in April, while the price of transportation and postal services increased by 10.5 percent.

The cost of different other services increased by 6.6 percent in May. It was announced that the prices of electricity and postal services would be raised by the end of the year.

Serbia

Firms Produce 'Vital' Goods During Blockade

LD0706123995 Belgrade TANJUG in English 1129 GMT 7 Jun 95

["Pool" item]

[FBIS Transcribed Text] Nis, June 7 (TANJUG)—Two large Yugoslav companies, Elektronska Industrija (EI) and Masinska Industrija (MIN) from the southern Serbian city of Nis, mastered 1,500 new programs during the sanctions, ensuring the substitution of many imported products.

Min mastered the production of the most important products for maintaining the vital functions of the railway, mines and public enterprises.

The EI succeeded in making products that had already got the status of 'national' products, like the first Serbian electricity metre and national telephone.

The companies' experts say that despite the sanctions, the state pursued an economic policy aimed at preserving the companies' technology and personnel through financial and other measures.

This made it possible for the companies to plan the production of goods worth 350 million dinars (about 200 million dollars) in 1995.

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MIN and EI directors Milovan Krivokapic and Borivoje Mitrovic believe that the state should continue to financially intervene so that the companies could continue to work on development and production.

The directors requested that the republic continue providing funds for 'covering' the salaries of 4,500 workers who became redundant because of the effects of the total economic blockade of Yugoslavia.

AFP Profiles State Security's Jovica Stanisic

AU0806203295 Paris AFP in English 1635 GMT 8 Jun 95

[FBIS Transcribed Text] Belgrade, June 8 (AFP)—Just a week ago, Jovica Stanisic was a shadowy figure in President Slobodan Milosevic's government, but with the media interest surrounding the UN hostage crisis, all that has changed.

The solidly-built Montenegrin who heads Serbia's secret police has found himself thrust into the media's glare following his handling, on Milosevic's orders, of the stage-managed Serbian intervention in the crisis.

His hitherto rarely seen face, a secret agent's best asset, was the focus of attention when Belgrade television ran footage of the June 2 handover of 121 UN hostages on the Serbian border with Bosnia.

One of Milosevic's most trusted and influential lieutenants, Stanisic, in his forties, joined Tito's secret police around 20 years ago as a simple agent. Armed with a political science degree from Belgrade University, he climbed the ranks to become, in turn, section head, department chief and Belgrade area chief, until his 1992 appointment as deputy minister of the interior, and head of State Security.

His close association with Milosevic began with the outbreak of the civil war in Croatia in 1991. Stanisic organised rebel Serb paramilitary units in Croatia as former Yugoslavia crumbled under the weight of nationalism.

When the following year the Bosnian Serb leader Radovan Karadzic gave him the job of purging the ranks of the local Serb security services, he obliged by installing a core favourable to Milosevic.

Since then, Stanisic's stock has continued to rise, possessing, as he does, the most complete and incriminating files on Karadzic, and his political and military hierarchy. He knows where the skeletons are.

Possibility of Bosnian Serb Defeat Discussed

AU0206121695 Novi Sad DNEVNIK in Serbo-Croatian 28 May 95 p 4

[Article by Milan Bozokin: "Clash at Orasje"]

[FBIS Translated Text]

A Controlled War in Bosnia

The key to war or peace in Bosnia is still in the hands of the international community, on whose interests and intentions it depends whether this war will be finished, whether it will be kept under control, or whether it will spread beyond its present borders. Experts on the situation claim that the continuation of a controlled war in Bosnia-Herzegovina with the more open participation of the Croatian Army is the most likely option, which will—together with increasingly powerful Muslim forces—in the opinion of the West, force Karadzic to accept the Contact Group plan. All options are open, however, since politicians have one logic, and soldiers, who have not left the trenches for three years, can hardly wait for it all to be over.

In the shadow of the suffering of the Serbian population in western Slavonia and NATO's bombardment of Serbian territory around Pale, fierce clashes have been going on around Orasje for 10 days now. The Army of the Serbian Republic started one of its rare offensive actions since new borders were established in the former Bosnia-Herzegovina. The real aim of the Serbian offensive against Orasje is not yet clear. Is it complete control of the right bank of the Sava, enlargement of the corridor, since its narrowest section is between Brcko and Obudovac, or is the offensive—in which several villages in this Croatian enclave have been occupied—merely a psychological attempt to restore the morale of the people after the Serbian defeat in western Slavonia?

Permanent Threats to the Corridor

Since the borders of the Serbian Republic were established, the Croatian enclave of Orasje has been a permanent threat not only to the corridor through the Posavina region but also to the Serbian places in the vicinity: Brcko, Loncari, and Obudovac. It is not clear why the Serbian forces did not occupy this small portion of territory around Orasje directly bordering on the Sava River and the Republic of Croatia when fierce clashes for the creation of the corridor took place here in the summer of 1992. If the enclave had been occupied by Serbian military forces, the Army of the Serbian Republic and its Eastern Bosnia Corps would have considerably fewer problems in this part of Bosnia now. Since this was not achieved, Brcko, first of all, but also the whole corridor

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through the Posavina Region are constantly the target of both Muslim and Croatian forces today.

The Croats in Orasje made use of their favorable position—this region borders directly on Croatia—and developed a powerful defense system there. The forces of the Croatian Defense Council [HVO] and regular units of the Croatian Army mounted three pontoon bridges across the Sava River between Orasje and Croatia, which makes it possible to offer undisturbed logistics support to HVO units. The 119th HVO brigade is situated in Orasje. Across the Sava River, in Croatian Zupanja, the 131st brigade of the Croatian Army is stationed, and the 5th and the 3d battalion of the 9th guards brigade of the Croatian Army are stationed in the villages of Oprisavica and Kopanica. The 104th brigade of the Croatian Army is situated in Slavonski Samac, the 101st HVO brigade in Domaljevac, and the 108th Croatian Army brigade in Slavonski Brod.

During the last two and one-half years, the Croats in Orasje have developed a powerful defense system consisting of iron-and-concrete bunkers, several lines of trenches, mine fields, antitank obstacles, and passages. All this is "covered" by an artillery system situated in the surroundings of Orasje and in the Republic of Croatia. It was the artillery weapons situated on the other side of the Sava River that were fired at the corridor during the past several days, so that the section from Brcko to Modrica was closed to traffic from time to time.

What Do Military Experts Say?

Because of their strong fortifications and the wholehearted support from Croatia, it is extremely difficult for the members of the Army of the Serbian Republic to achieve a quick victory in this part of Bosnia, on which the Serbian commanders probably counted. Three Croatian villages in the enclave have been occupied so far, but it has not come to a considerable shift of the lines. Military experts warn that it should not have been carried out in the classic way; covered by artillery, the Serbian forces tried to make advances with armored units and infantry, which was not successful. For the one who defends himself with good fortifications and has pontoon bridges to the other bank of the Sava for logistics support, an artillery cannonade of 5,000 shells—the quantity allegedly fired by the Serbs at this area—need not necessarily mean much. And it did not mean much.

Military strategists point out that the Serbian Army should have introduced at least 15,000 soldiers with at least one hundred tanks into this type of clash, in order to achieve some kind of superiority over the enemy. In the military experts's view, the classic relation of 3 to 1 for the attacker should have been at least 5 to 1 for the Serbian side in Orasje, since the configuration of the ground and the fortifications of Croatian forces simply "melt" the forces of the Serbian attacker. It is well known, however, that the Army of the Serbian Republic does not have the forces to start an offensive against any part of the enemy's territory. The territory of the Serbian Republic is relatively large and the number of soldiers in the Army of Serbian Republic units small, so that the Serbian territory is very difficult to defend. The enemy knows this and starts its counterattacks on several fronts, thus making it impossible to support the Serbian Army along combat lines.

It is difficult to assess now how the situation will develop, but everything points to the option that a real war will be waged in the whole of the former Bosnia-Herzegovina. If it comes to a merger between the Serbian Republic and the Republic of Serbian Krajina, Karadzic will profit from it the most. Since the war between the Republic of Serbian Krajina and Croatia is probably frozen at this stage, a part of Martic's army could cover maneuvering holes in Mladic's military system. Even with this help, it can hardly be imagined, however, that the war could come out of the pat position. The balance could only be disturbed if the Croatian Army helps the HVO in Bosnia, which has been tolerated by the international community, because a large part of Tudjman's soldiers are fighting on the Glamoc-Livno-Grahovo front, on Kupres Mountain, and in Orasje. Seen from that point of view, a further escalation of the war depends on whether Croatia is prepared to get openly involved in the war in the former Bosnia-Herzegovina and on the patience of the FRY to observe all this without openly participating. This could lead to the situation in which the Serbs across the Drina River could start losing the war.

Article Claims Croatia Plans Baranja Attack

AU0806151095 Belgrade POLITIKA EKSPRES in Serbo-Croatian 7 Jun 95 p 2

[Article by Momcilo Kovacevic: "Baranja in Croatia's Sights"]

[FBIS Translated Excerpt] The stories about the withdrawal of Tudjman's fighters from the protected areas are totally unfounded, but not the claims that the Croatian Army is preparing a new offensive. This time, confirmed information indicates that Baranja and eastern Slavonia are in their sights. This has also been confirmed by information that is continuously coming from the field.

According to well-informed sources, there is still a dilemma as to whether they should attack the river sector or cut through the region between Ogulin and Bihac. In any case, the Croatian "barracks" have been

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empty since the aggression on western Slavonia, which was carried out with the wholehearted support of UNPROFOR [UN Protection Force] Command, as the next one will be. [passage omitted]

That Tudjman's command is seriously preparing an aggression against Baranja is evident from the information that the reconnaissance-sabotage company of the 107th Home Guard Brigade of Belisce has been staying put in the village of Gat for over a month. The brigade is deployed beside the Valpovo-Donji Miholjac road. Their task is to examine possibilities for infiltrating reconnaissance-sabotage groups of 30 to 40 men in the Bezdan-Darda forest in Baranja. According to the plan, the saboteurs would be collecting information, establishing contacts with former Croatian Democratic Community activists, and occasionally engaging in terrorist actions.

Russian-American-Serbian Bank Examined

95BA0234V Belgrade BORBA in Serbo-Croatian 17 Apr 95 p 11

[Article by Mirjana Stevanovic: "World Bank for Domestic Business"]

[FBIS Translated Text] Russian breadth, the American feel for profit, and Serbian creativity working together in one place—the Russian-American-Serbian [RAS] Bank has existed under that slogan for three full years now in this region, discreetly and without scandal. Continuing the tradition of the Serbian-American Bank founded back in 1924, the RAS Bank started work in 1992 as a stock company with high participation by foreign capital. More precisely, over 90 percent of the bank's total founding capital is capital that is mostly from small and medium-sized firms in the United States and Russia. Following market principles for business operation, this relatively small bank with sound capital is achieving solvency and liquidity, in times that are difficult for the banking industry, by "subtly balancing the profitability and security of its investments." The essence of the RAS Bank's commercial policy is investments in small and medium-sized private enterprises, which constitute the bank's depositor structure, and which are growing in number every day (there are now about 300 of them). That naturally does not mean that larger and larger systems that respect the logic of market-oriented business and are working on their own consolidation do not have a chance of becoming depositors in it. The RAS Bank believes, however, that its acquired image of a banking institute to be trusted must not be violated by investment in projects based on fictitious assets and with a high risk factor.

Since most of its capital is in the hands of foreign partners, it is understandable that the RAS Bank's commercial policy is oriented toward making use of the positive experiences of similar world banks, to the extent possible in the current situation.

Rescheduling Loans—Part of the Past

"Of course, the diversity of instruments in the Western financial market cannot be fully utilized in our still underdeveloped market, although the growth of the turnover and the share of securities in the Belgrade Money Market are even more promising than we expected," emphasized Aleksandar Zeremski, the RAS Bank's vice president. He added, "The essential thing is to overcome the established view here on rescheduling loans, the general conformism of the financial and legal aspect of doing business, and other negative phenomena from the times that are behind us. Only then, with intensified financial and legal discipline, can there be a positive differentiation of all participants in business and efficient operation by domestic firms. For the time being, we are portraying ourselves as a 'world bank for domestic business,' hoping that the order of the words will soon be changed."

The financing of private enterprise through an Entrepreneurial Investment Fund constitutes one more innovation in the RAS Bank's commercial policy. Because the appropriate systemic conditions have not yet been created for the organization and functioning of investment funds, the RAS Bank, together with the appropriate ministry and eminent scientific institutions, has participated in the drafting of a proposed law on investment funds, which will create the legal basis for forming an Entrepreneurial Investment Fund, a recognizable organizational format that has been functioning in the West for more than five decades now, and in Central and East Europe for several years. In that region (Poland, the Czech Republic, Slovakia, and Hungary), foreign investors have already invested capital in interesting entrepreneurial projects.

Entrepreneurial Investment Fund—Safety of Investments

According to Vladimir Dobric, a vice president of the RAS Bank, the formation of an Entrepreneurial Investment Fund is aimed at offering foreign and domestic investors, as soon as the conditions are achieved, an organizational format already seen in the capital market, and to make simple investment possible. The Entrepreneurial Investment Fund, according to Dobric, allows financing projects by purchasing securities (shares, long-term and short-term debt) issued by entrepreneurs or their enterprises. This method of financing allows the

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investment fund to exercise control over the invested funds through an appropriate portfolio of stocks, and to earn a dividend whose amount depends on the project's success, as well as to collect interest on the debt securities. The entrepreneur obtains funds for a project, which, with respect to periods, price, method, and repayment schedule, are adapted to the cash flows and profitability of the project being financed. So far neither banks nor state funds have been able to offer that kind of financing. Priority in investing funds, in addition to projects that do not require large investments, will be given to programs that the management of the investment fund firm thinks will achieve the best results in terms of the profit-risk ratio. Along with the security guaranteed by the selected project, the speed at which the invested funds will be repaid will also be very important.

In that context, it should also be emphasized that the RAS Bank has already established contact with the American Entrepreneurial Projects Exchange, creating the conditions for offering foreign investors the most attractive projects as soon as the sanctions are lifted. Making their own contribution to implementing Prof. Dragoslav Avramovic's economic program, the RAS Bank has offered active participation in public works, which implies the participation of foreign capital, but also an offer of relatively attractive and profitable projects.

Let us also add to the broad range of the RAS Bank's activities its involvement in reviving dinar savings in particular. The first steps have already been taken in that direction by providing about 5,000 savings books to Belgrade elementary school children, but also by giving a fairly attractive interest rate of 8 percent a month on dinar deposits. Perhaps this is the first encouraging step toward restoring depositors' lost confidence in banks and the banking system.

Charges Brought Against Speculators

95BA0234P Belgrade POLITIKA in Serbo-Croatian 16 Apr 95 p 11

[Article by J. Cerovina: "Charges Against Speculators"]

[FBIS Translated Text] According to information from the Republic Market Inspectorate, most businessmen have in fact rolled back their prices to the level that they had before the jump in the German mark. There are some who only slightly raised prices, but also enterprises that considerably increased the prices of their products. Some of them, to this very day, have not observed the government's warnings about rolling back prices.

According to Stojan Zdravkovic, the chief republic market inspector, economic criminal charges will be filed against those who have abused their monopolistic position in the market and speculated.

If the inspector's suspicion is proven, far from mild penalties will follow. According to the legal regulations, a legal person can be fined as much as 150,000 dinars, and the range of fines for an individual is from 2,000 to 5,000 dinars. Furthermore, the law also provides for prohibiting business activity for up to six months, but also for confiscating illegally acquired assets.

According to Zdravkovic, during the whole uproar over the German mark, the producers who profited were usually those whose goods were selling badly on the market. Fearing large price increases, people bought them without asking about price and quality. That is how it could happen that a rather long line of people who thought they were getting a bargain formed in front of a shop selling athletic shoes.

Criminal charges have already been filed in Belgrade against one unconscientious private businessman, while 76 facilities, mostly boutiques, were sealed in one day. The Belgrade division of the Republic Market Inspectorate, according to its chief Marinko Radic, has discovered many cases of not keeping books up to date, concealing transactions, accepting foreign exchange for purchases, and even refusing to accept checks. Appropriate charges have already been filed against all these businessmen.

Firms Roll Back Prices

95BA0234K Belgrade POLITIKA in Serbo-Croatian 15 Apr 95 p 1

[Article by Bogdan Trbojevic: "Many Firms Have Rolled Back Prices"]

[FBIS Translated Text] In recent days many changes have taken place in the market and prices have been curbed, after the large price increases from 24 to 27 March, because the Serbian Government is insisting that the prices raised for speculative and psychological reasons must be rolled back to their previous level. Severe penalties await the disobedient, as is being explicitly repeated every day.

There will be a lot of work to do involving prices this month, and probably next month as well, because prices for some finished imported products and those that depend on imported materials were not rolled back to the July and March levels, but instead were increased twice, as is also the case with paints and lacquers and some household appliances. There are a lot of producers and importers who rolled prices back to the previous level immediately after the decline of the German mark—producers of coffee and importers

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of tropical fruit, footwear, and textiles, although tropical fruit became more expensive again.

In a few days, 74 percent higher electricity bills are coming. Gasoline is 40 paras more expensive than yesterday because of tariffs. The spring collection of clothing and footwear is coming at prices up to 50 percent higher. A suit, which could be bought for 250 to 300 dinars, now costs 350-400 dinars. Domestic dress shoes have approached a price of 200 dinars, instead of 130.

In the last 20 days or so, paint and lacquer prices have increased twice, the second time a few days ago. Zoraluks enamel cost 34 dinars on 25 March, and now costs 39. Wood stains cost between 32 and 34 dinars per kilogram. Four kilograms of imported Boj detergent, which cost 24 dinars before the jump in the German mark, are being sold now at the price of 47 dinars. They are taking advantage of the chance for sales, because there are no domestic detergents. Yesterday the news came from Krusevac's Merima that in the next five months it will produce 15,000 metric tons of detergents, which should considerably improve the situation in the market.

During the big campaign for curbing prices and rolling them back to their previous level, Jugokoop increased prices for lamb from 7.79 to 15.50 dinars, and for veal from 6.59 to 9.95 dinars. At the same time, Podvis is raising the price for the B-80 water heater from 390 to 540.50 dinars, the KB-15 water heater now costs 3,146 dinars instead of 2,270, and the SD-80 solar water heater has gone from 484 to 610 dinars. The price reductions look like this: Minel reduced the price of panels with 10 automatic fuses from 378.40 to 348.40 dinars, and the Nis dairy reduced the price of butter from 21.80 to 20 dinars....

Stojan Zdravkovic, assistant minister of the market and tourism and Serbia's chief market inspector, commented on the situation in the market: "I absolutely believe that the market inspectorate will succeed in carrying out all the work within its jurisdiction as it should in rolling prices back to the level before 24 March. We are working in accordance with the decrees on measures to prevent and eliminate disruptions in the market, which deal with speculative actions that cause disruptions in the market. The Republic Market Inspectorate is monitoring the rollback of prices to the agreed-upon level on a daily basis. In cases where prices have not been rolled back, we warn the firms to do so, and if they do not obey, then we file charges with the appropriate courts."

Kosovo

Ex-Security Men Sentenced for Separatism

LD0806171295 Belgrade TANJUG Domestic Service in Serbo-Croatian 1457 GMT 8 Jun 95

[FBIS Translated Excerpt] Gnjilane [Kosovo region], 8 Jun, (TANJUG)—The three-member bench of the Gnjilane District Court, presided over by District Court President Dusko Cvetkovic today passed sentence on about 20 members of the Albanian national minority, former workers in the security organs, which the bill of indictment accused of having prepared to detach Kosmet from the Federal Republic of Yugoslavia [FRY] by force and merge it with Albania.

Enver Ramizi was given a three year prison sentence, while Esad Marovci received two and one-half years' imprisonment. Sinan Redzepi, and Halid Radzepi were given one-and-one-half years' imprisonment, while Mujadin Keka, Isuf Zuka, Imer Rulani, and Ruzdi Lipovica received one-year prison sentences.

Hasan Mahmuti, Isak Hrtica, Muhamed Maksuti, Fazli Berisa, Isa Taci, and Enver Tahiri received six month prison sentences; Vebi Ramadani received a six months' suspended prison sentence for illegal possession of and the carrying of firearms and ammunition. [passage omitted]

Eight members of the group are on the run. The bill of indictment accused the former members of the security organs of having committed the criminal act of associating for the purpose of carrying out hostile activities in accordance with Article 136, Paragraph 1, and in connection with Article 116, Paragraph 2 of the FRY Criminal Law.

Lawyers Contend Trial 'Staged'

AU0806203195

[FBIS Editorial Report] Pristina Kosova Daily Report in English No 631 on 7 June carries several reports on "Serbian repression" in Srbica and other areas, as well as on the trial of 28 ethnic Albanians held at the Serb District Court in Gnjilane.

It is reported that the trial against 28 ethnic Albanians, former employees with the Kosova police force, charged with "having allegedly established a parallel police force in Kosova," ended at the Serbian-run District Court in Gnjilane on 6 June. The Prishtina-based BUJKU reports that the defense lawyers called the whole issue "a staged trial," "contending" that "not a single element of the indictment against their defendants was corroborated during the whole proceedings." The lawyers "unanimously" confirmed that the verdict against the accused had been

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drafted "even prior to the trial" and the trial itself was "but a farce and a waste of time."

All the accused denied once again "the charges against them," stating that "they had never been involved in setting up any parallel police force in Kosova, nor they were ever appointed by anyone to any police posts after they had been fired by the Serbian authorities four years ago." The report notes that the "verdict" against 28 former police employees, members of the independent trade unions, will be announced on 8 June.

A monthly report issued on 7 June by the Democratic League of Kosova (LDK) Information Commission in Srbica notes that the "Serbian regime repression has been continuing unabated." The report says that during May, "10 Albanians were beaten up by the Serbian police, three Albanian families had their homes raided on, six persons were summoned to the so-called police informative conversations, while seven persons were ill-treated in various fashions." The report stresses that political, educational, and humanitarian associations have been "under particular target of the Serbian police."

Sources in Podujevo confirm that the Serbian police on 5 June detained an activist with the Mother Teresa Humanitarian Association in Podujevo, interrogated him about "the activities of the association," and "ill-treated" him for several hours. The Serbian police also summoned the chairman of the LDK subbranch at Batlave village and his fellow villager to report to the police station in Podujevo. The Serbian police on 6 June detained the vice chairman of the LDK branch at Prekaz village "in connection with alleged arms possession" and his father, who was reportedly "ill-treated while in custody." They were both ordered to report again to the police station.

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